

Global Alumina

2006 ANNUAL REPORT

MARCH 26, 2007

Forward Looking Information

Certain information in this annual report is “forward looking information”, which reflects management’s expectations regarding the Corporation’s future growth, results of operations, performance and business prospects and opportunities. In this annual report, the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate” and “expect” and similar expressions, as they relate to the Corporation, are often, but not always, used to identify forward looking information. Such forward looking information reflects management’s current beliefs and is based on information currently available to management. Forward looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of whether or not or the times at, or by which, such performance or results will be achieved. In particular, this annual report contains forward looking information pertaining to the following: expectations regarding the financing of the Project (as defined below) and the sources of financing including the anticipated completion of the transactions contemplated by the Subscription Agreement (as defined below); the amount, nature and timing of capital expenditures; the timing of refinery construction and mine start up; bauxite reserve and resource quantities; the ultimate recoverability of reserves; future production levels; expectations regarding the negotiation of contractual rights; prices for alumina and aluminium; operating and other costs; treatment under the fiscal terms of the “tax exhibit” to the Basic Agreement (as defined below) and the negotiation and terms of agreements relating to the Corporation’s access to and use of certain infrastructure required for the development and operation of the Project; and business strategies and plans of management.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking information, including, but not limited to: the failure to execute the Subscription Agreement or to complete the transactions contemplated thereby and the Corporation’s inability to negotiate an alternative transaction; the failure by the Corporation to satisfy the conditions to the drawdowns under the Loan Facility Agreement (as defined below); the Corporation may not be able to secure sufficient financing to address its current liquidity issues and continue with the development and construction of the Project; the ability of the Corporation to repay advances under the Loan Facility Agreement if transactions contemplated by the Subscription Agreement are not completed; the current political unrest in the Republic of Guinea and the political and economic risks of investing in a developing country; the failure of the joint venture parties to approve plans for the development of the Project after completion of a feasibility study no later than September 30, 2007; construction risks such as cost overruns, delays and shortages of labour, materials or equipment; the Corporation’s dependence on a single mining property; the possible forfeiture of the Mining Concession (as defined below) in certain circumstances; operational risks such as access to infrastructure and skilled labour; price volatility of alumina, aluminium or raw materials; and all other factors discussed under the heading “Risk Factors” in the Corporation’s Annual Information Form. Although the forward looking information contained in this annual report is based upon what management of the Corporation believes are reasonable assumptions, Global Alumina cannot assure investors that actual results will be consistent with this forward looking information. If the assumptions underlying forward looking information prove incorrect or if more of the risks or uncertainties materialize, actual results may vary materially from those described in this annual report as intended, planned, anticipated, believed, estimated or expected. This forward looking information is made as of the date of this annual report, and Global Alumina assumes no obligation to update or revise it to reflect new events or circumstances.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Global Alumina Corporation (the "Company") were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, Chartered Accountants, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) BRUCE WROBEL
Chairman and Chief Executive Officer

(Signed) MICHAEL J. CELLA
Chief Financial Officer

March 26, 2007

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215

Auditors' Report

To the Shareholders of
GLOBAL ALUMINA CORPORATION

We have audited the consolidated balance sheets of Global Alumina Corporation as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario, Canada
March 26, 2007

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

GLOBAL ALUMINA CORPORATION
CONSOLIDATED BALANCE SHEET
As at December 31, 2006 and 2005
(expressed in U.S. dollars)

	2006	2005
Assets		
Current assets		
Cash	\$ 10,894,621	\$ 71,413,258
Restricted cash (note 7)	—	15,316,955
Prepaid expenses	11,699,433	2,131,217
Due from affiliates and other assets	320,932	35,524
	22,914,986	88,896,954
Construction-in-progress (note 3)	192,295,864	75,836,168
Property, plant and equipment (note 3)	9,490,039	8,644,094
	224,700,889	173,377,216
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	26,230,473	15,426,923
Loan payable (note 11)	22,310,140	—
	48,540,613	15,426,923
Shareholders' Equity		
Capital stock and other equity (note 4)	238,593,736	201,360,887
Contributed surplus	1,477,886	982,167
Accumulated deficit	(63,911,346)	(44,392,761)
	176,160,276	157,950,293
	224,700,889	173,377,216

Going concern – Note 1

Approved by the Board of Directors

(Signed) BRUCE J. WROBEL
Director

(Signed) MICHAEL J. CELLA
Director

See accompanying notes to consolidated financial statements.

GLOBAL ALUMINA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the years ended December 31, 2006 and 2005
(expressed in U.S. dollars)

	<u>Years ended December 31,</u>		<u>Cumulative</u>
	<u>2006</u>	<u>2005</u>	<u>period from</u> <u>July 21, 1999</u> <u>(date of</u> <u>incorporation) to</u> <u>December 31,</u> <u>2006</u>
Other income			
Interest	\$ 1,497,830	\$ 759,923	\$ 2,664,526
Other	<u>207,502</u>	<u>297,497</u>	<u>1,195,230</u>
	<u>1,705,332</u>	<u>1,057,420</u>	<u>3,859,756</u>
Expenses			
Engineering	—	25,178	15,041,729
Professional fees	6,708,540	8,488,390	23,902,590
General and administrative	12,198,010	8,285,347	24,472,905
Amortization	<u>2,317,367</u>	<u>1,526,793</u>	<u>4,335,982</u>
	<u>21,223,917</u>	<u>18,325,708</u>	<u>67,753,206</u>
Loss for the year	(19,518,585)	(17,268,288)	<u>\$(63,893,450)</u>
Deficit – Beginning of year	<u>(44,392,761)</u>	<u>(27,124,473)</u>	
Deficit – End of year	<u>\$(63,911,346)</u>	<u>\$(44,392,761)</u>	
Basic and diluted loss per share (note 6)	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.40)</u>
Going concern – Note 1			

See accompanying notes to consolidated financial statements.

GLOBAL ALUMINA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005
(expressed in U.S. dollars)

	<u>Years ended December 31,</u>		<u>Cumulative</u>
	<u>2006</u>	<u>2005</u>	<u>period from</u> <u>July 21, 1999</u> <u>(date of</u> <u>incorporation) to</u> <u>December 31,</u> <u>2006</u>
Cash provided by (used in)			
Operating activities			
Loss for the year	\$ (19,518,585)	\$ (17,268,288)	\$ (63,893,450)
Stock options/common stock issued for services (note 4)	495,719	710,682	1,777,884
Amortization	2,317,367	1,526,793	4,335,982
	<u>(16,705,499)</u>	<u>(15,030,813)</u>	<u>(57,779,584)</u>
Changes in non-cash items relating to operating activities			
Prepaid expenses	(9,568,216)	(2,077,390)	(11,694,606)
Due from affiliates and other assets	(285,408)	90,715	(412,871)
Accounts payable and accrued liabilities	10,803,550	11,294,573	26,176,103
Cash used in operating activities	<u>(15,755,573)</u>	<u>(5,722,915)</u>	<u>(43,710,958)</u>
Investing activities			
Acquisition of Aluminpro	—	—	(576,684)
Additions to other assets	(3,163,312)	(9,543,184)	(12,746,375)
Additions to construction-in-progress	(116,459,696)	(69,436,356)	(192,295,864)
Restricted cash	15,316,955	(15,316,955)	—
Payments to affiliates	—	—	(71,099)
Cash used in investing activities	<u>(104,306,053)</u>	<u>(94,296,495)</u>	<u>(205,690,022)</u>
Financing activities			
Proceeds from issuances of common shares	37,232,849	119,883,464	237,789,737
Deferred offering expenses	—	(4,827)	(4,827)
Collection of stock subscription receivable	—	—	4,000
Loan payable	22,310,140	—	22,310,140
Proceeds from affiliates	—	—	196,551
Cash provided by financing activities	<u>59,542,989</u>	<u>119,878,637</u>	<u>260,295,601</u>
Net increase (decrease) in cash during the year	(60,518,637)	19,859,227	10,894,621
Cash – Beginning of year	71,413,258	51,554,031	—
Cash – End of year	<u>\$ 10,894,621</u>	<u>\$ 71,413,258</u>	<u>\$ 10,894,621</u>

See accompanying notes to consolidated financial statements

GLOBAL ALUMINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005
(expressed in U.S. dollars)

1. Going Concern and Nature of operations

Global Alumina Corporation's ("Global Alumina" or the "Company") business is the development of an alumina refinery located in the bauxite mining region of the Republic of Guinea ("Guinea"). Global Alumina is pursuing this initiative through its wholly owned subsidiaries, Global Alumina International, Ltd. and Guinea Alumina Corporation, Ltd., both British Virgin Islands companies, and its Guinean subsidiary, Guinea Alumina Corporation, S.A.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

However, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, the dependence on key individuals, successful development, and the ability to secure adequate financing to meet the minimum capital required to successfully complete the Project. The Company is directing substantially all of its efforts to various set-up activities including engineering, development, preliminary construction activities and capital raising and financing initiatives, including a proposed joint venture transaction with certain parties (as described under Note 11 "Framework Agreement").

There is no assurance that these initiatives will be successful and as a result there is substantial doubt regarding the going concern assumption. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

In addition, the properties may be subject to sovereign risk, including political and economic instability, government regulations relating to mining, currency fluctuations and local inflation. Changes in future conditions could require material write-downs of the carrying values.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Principles of consolidation

The consolidated financial statements include the accounts of Global Alumina Corporation and its direct and indirect wholly owned subsidiaries, Aluminpro Aluminium Industry Professionals Inc., Global Alumina Services Company, Global Alumina International, Ltd., Guinea Alumina Corporation, Ltd. and Guinea Alumina Corporation, S.A. All material intercompany transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Income taxes

The company uses the asset and liability method of accounting for income taxes, under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

Future income tax benefits attributable to these differences, if any, are recognized to the extent that the realization of such benefits is more likely than not.

Foreign currency translation

Reporting currency

The consolidated financial statements are presented in U.S. dollars (the reporting currency).

GLOBAL ALUMINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005
(expressed in U.S. dollars)

The financial statements of the company's fully integrated subsidiaries are translated into U.S. dollars using the temporal method. Monetary items are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates, with corresponding amortization translated at the same exchange rates as the assets to which they relate. Revenues and expenses are translated into U.S. dollars at the rates of exchange prevailing when the underlying transactions occurred. Foreign exchange gains or losses on translation are recognized in the consolidated statements of operations.

Foreign currency transactions and balances

The U.S. dollar is the measurement currency of the company. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations.

Basic and diluted earnings per share

Basic earnings/(loss) per share is computed by dividing earnings/(loss) for the year by the weighted number of common shares outstanding during the year. Diluted earnings/(loss) per share is computed using the treasury stock method whereby the weighted average number of common shares used in the basic earnings/(loss) per share calculation is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued at the beginning of the year. Potential common shares represent the common shares issuable upon the exercise of stock options or warrants. Potential common shares are excluded from the calculation if their effect is antidilutive.

Development costs

The company follows the provisions of Accounting Guideline No. 11 (AcG-11), "Enterprises in the Development Stage," of The Canadian Institute of Chartered Accountants (CICA) Handbook. Development costs are capitalized only if they meet the following criteria: the product or process is clearly defined and costs attributable thereto can be defined; the technical feasibility of the process has been established; management of the company has indicated its intention to produce and market the process; the future market has been clearly defined; and adequate resources exist, or are expected to be available, to complete the project. As at December 31, 2006, the company has determined that it did not meet all of these criteria. Accordingly, all development costs have been expensed.

Property, plant and equipment

Property, plant and equipment comprise construction-in-progress, leasehold improvements, motor vehicles and equipment and are recorded at carrying values less amortization. The company's policy is to recognize 50% of the amortization charge in the year of addition to construction equipment, motor vehicles and equipment. Leasehold improvements are amortized on a straight-line basis over the life of the related lease. The other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Motor vehicles	30%
Construction equipment	20%
Equipment	30%

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in accordance with CICA Handbook Section 3063, "Impairment of Long-lived Assets." Under that standard, an impairment loss is recognized when the carrying amount of an asset exceeds the projected undiscounted future net cash flows expected from its use and disposal. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is determined by discounted cash flows when quoted market prices are not available. Future amortization will be charged based on the post-impairment carrying value.

Beginning October 1, 2004, in accordance with CICA Handbook Section 3061, "Property, Plant and Equipment," the company has commenced capitalization of all costs directly related to the construction of its alumina refinery plant. Construction-in-progress is recorded at cost. Amortization will commence when the alumina refinery is available for commercial production.

The Company will recognize a partial or full impairment to construction-in-progress whenever events or changes in circumstances indicate that the carrying amount exceeds fair value. This would occur when one or more of the following conditions are identified:

- a) a change in the extent to which the project asset is expected to be used;
- b) a change in the manner in which the project asset is expected to be used;
- c) a construction interruption for an extended period of time;

GLOBAL ALUMINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005
(expressed in U.S. dollars)

- d) physical damage; and
e) a change in law or the environment which significantly affects completion.

Stock option plans

The fair value of stock options granted is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period and included in general and administrative expenses in the consolidated statements of operations and as contributed surplus within capital stock on the consolidated balance sheets. The consideration received on the exercise of stock options is credited to share capital at the time of exercise.

3. Property, plant and equipment

	2006		
	Cost	Accumulated amortization	Net
Motor vehicles	\$ 622,331	\$ 185,163	\$ 437,168
Construction equipment	10,442,833	2,677,537	7,765,296
Equipment	484,310	165,918	318,392
Leasehold improvement	1,196,902	227,719	969,183
Construction-in-progress	192,295,864	—	192,295,864
	<u>\$205,042,240</u>	<u>\$3,256,337</u>	<u>\$201,785,903</u>

	2006		
	Cost	Accumulated amortization	Net
Motor vehicles	\$ 276,846	\$ 50,287	\$ 226,559
Construction equipment	8,166,265	816,627	7,349,638
Equipment	299,306	48,376	250,930
Leasehold improvement	840,647	23,680	816,967
Construction-in-progress	75,836,168	—	75,836,168
	<u>\$ 85,419,232</u>	<u>\$ 938,970</u>	<u>\$ 84,480,262</u>

4. Capital stock and other equity

- a) Share capital

Common shares, no par value, authorized unlimited number of shares, issued and outstanding 203,752,544 and 177,682,746 shares as at December 31, 2006 and 2005, respectively.

	Number of common shares		Number of warrants		Total
Balance – January 1, 2005	118,244,623	\$ 77,488,786	33,050,000	\$ 3,988,638	\$ 81,477,424
Shares issued in private placements	57,222,222	117,150,437	—	—	117,150,437
Warrants exercised during the 2005 year	2,215,901	2,897,515	(2,215,901)	(164,489)	2,733,026
Balance – December 31, 2005	177,682,746	197,536,738	30,834,099	3,824,149	201,360,887
Shares cancelled during the 2006 year	(94,601)	—	—	—	—
Warrants exercised or expired during the 2006 year	26,164,399	41,056,998	(28,043,249)	(3,824,149)	37,232,849
Balance – December 31, 2006	<u>203,752,544</u>	<u>238,593,736</u>	<u>2,790,850</u>	<u>—</u>	<u>238,593,736</u>

- b) During the year ended December 31, 2006, a total of 26,164,399 (2005 – 2,215,901) warrants were exercised for proceeds of \$37,232,849 (2005 – \$2,733,026) and an additional 1,878,850 warrants expired unexercised. Details of the 2,790,850 share purchase warrants issued and outstanding as at December 31, 2006 are as follows:

Number of shares exercisable	Expiry date	Exercise price
2,790,850	February 3, 2008	\$1.00

GLOBAL ALUMINA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

(expressed in U.S. dollars)

Stock options

The Company has a stock option plan (the "Plan") which provides employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Ten million common shares have been reserved for issuance under the Plan. Stock options granted under the Plan are limited to a maximum term of ten years. During 2006, the following awards were made. On March 7, 2006, a total of 45,000 options were granted with an exercise price of \$1.75, a vesting period over three years and a maximum term of five years. On December 11, 2006, a total of 1,975,000 options were granted with an exercise price of \$1.00, a vesting period over three years and a maximum term of five years. During 2005, a total of 1,307,500 options, net of cancellations, were granted.

Stock-based compensation

The Company accounts for stock options granted under its employee stock option plan using the fair value method of accounting. Using the Black-Scholes option pricing model, the weighted average fair value of stock options granted during the year ended December 31, 2006 was estimated to be \$662,333 (2005 – \$1,066,654). Expenses in the amount of \$495,719 and \$710,682 have been recognized for the years ended December 31, 2006 and 2005, respectively. No stock options have been exercised as of December 31, 2006 and the unvested unamortized fair value of stock options granted amounts to \$838,446 (2005 – \$671,833).

The Black-Scholes model was developed for use in estimating the fair value of traded stock options that have no vesting restrictions. Such models require the use of subjective assumptions, including expected share price volatility. The principal assumptions used in applying the Black-Scholes option pricing model for the awards for the year ended December 31, 2006 were as follows:

Risk-free interest rate	4.75%
Dividend yield	n/a
Volatility factor	55%
Expected life	3 years

A summary of the status of the Company's plan is as follows:

	<u>Number of stock options</u>	<u>Weighted average exercise price</u>
Outstanding – December 31, 2005	2,345,500	\$1.80
Forfeited	(3,000)	2.13
Granted in the year ended December 31, 2006	<u>2,020,000</u>	1.02
Outstanding – December 31, 2006	<u>4,362,500</u>	1.44
Exercisable – December 31, 2006	<u>1,470,833</u>	1.66

<u>Range of exercise prices</u>	<u>Options outstanding</u>			<u>Options exercisable</u>		
	<u>Number outstanding as at December 31, 2006</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number outstanding as at December 31, 2006</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>
\$1.50	1,010,000	2.4 years	\$1.50	1,010,000	2.4 years	\$1.50
1.52	25,000	2.7 years	1.52	25,000	2.7 years	1.52
2.50	750,000	3.2 years	2.50	250,000	3.2 years	2.50
1.40	482,500	3.6 years	1.40	160,833	3.6 years	1.40
1.57	75,000	3.9 years	1.57	25,000	3.9 years	1.57
1.75	45,000	4.2 years	1.75	—	—	—
1.00	1,975,000	4.9 years	1.00	—	—	—

5. Income taxes

The Company's income tax provision (recovery) has been calculated as follows:

	<u>2006</u>	<u>2005</u>
Loss for the year	\$(19,518,585)	\$(17,268,288)
Income tax (recovery) provision at combined Canadian federal and provincial statutory rates	(6,847,723)	(6,064,623)
Current year losses not recognized	6,174,069	6,260,681
Permanent differences	181,131	—
Increase in valuation allowance	492,523	(196,058)
Provision for (recovery of) income taxes	<u>\$ —</u>	<u>\$ —</u>

GLOBAL ALUMINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005
(expressed in U.S. dollars)

The following summarizes the principal temporary differences and the related future income tax effect:

	<u>2006</u>	<u>2005</u>
Capital assets	\$ 4,272,000	\$ 4,271,000
Non-capital losses carried forward	2,913,000	3,049,000
Reorganization costs	1,193,000	1,382,000
Net future income tax asset	8,378,000	8,702,000
Valuation allowance	(8,378,000)	(8,702,000)
Net future income tax asset recorded	<u>\$ —</u>	<u>\$ —</u>

As at December 31, 2006, the Company has Canadian non-capital losses that expire as follows:

<u>Year of expiry</u>	
2014	\$ 936,000
2015	3,786,000
2016	3,267,000

6. Loss per share

The computations for basic loss per share are as follows:

	<u>2006</u>	<u>2005</u>
Net loss for the year	\$ (19,518,585)	\$ (17,268,288)
Weighted average number of common shares	198,000,000	127,340,000
Loss per common share	(0.10)	(0.14)

Diluted earnings per share are not presented as the exercise of the potentially dilutive options would have an anti-dilutive effect on earnings per share and/or the options' exercise price was greater than the average market price of the common shares for the reporting years.

7. Commitments

The Company has entered into operating lease arrangements for its leased premises. For the year ended December 31, 2006, the total amount paid under these operating leases was \$360,637 (2005 – \$108,724). The Company's commitments for the operating lease for the next five years are as follows:

	<u>Year ending December 31,</u>
2007	\$ 695,367
2008	698,524
2009	698,524
2010	698,524
2011	523,893
Total	<u>\$3,314,832</u>

The commitment amounts have not been reduced by the sublease income earned by the Company, as disclosed in note 9.

The Company entered into a letter of credit arrangement on May 5, 2006 to help finance the continued construction of the refinery. The terms and conditions of this facility included a restriction imposed on the Company to maintain cash on hand equal to 105% of the outstanding amount on the letter of credit. The facility expired on October 21, 2006.

From time to time, the Company enters into employment contracts with its senior executives that reflect standard commercial terms, including employment guarantees, in the alumina industry.

8. Segmented information

The Company considers that it operates only in one reportable industry segment, namely, the design, finance, construction and operation of an alumina refinery, and associated infrastructure improvements. As at December 31, 2006, the Company's total property, plant and equipment amounted to \$201,785,903, consisting of construction-in-progress of \$192,295,864 and other assets of \$9,490,039, nearly all of which are located in the Republic of Guinea.

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9. Related party transactions

During the year ended December 31, 2006, the Company had the following related party transactions:

On October 9, 2006, the Board of Directors approved, and the Company entered into, a written consulting contract (the "Karalco Agreement") with Karalco Resources Ltd. ("Karalco"), a corporation controlled by Karim Karjian, Co-Chairman and a shareholder of the Company. The Karalco Agreement covers Mr. Karjian's professional services regarding the development of the Company's proposed alumina refinery in the Republic of Guinea and all ancillary infrastructure (the "Project"). The Company and Karalco have agreed that the Karalco Agreement will be retroactively effective from January 1, 2006. Under the Karalco Agreement, the Company has agreed to pay Karalco \$60,000 per month. Karalco is also eligible to participate under the Company's employee stock option plan. In the event that the Company terminates the Karalco Agreement without cause (as defined under the Karalco Agreement), Karalco will be entitled to a minimum payment equal to \$1,440,000. Prior to the execution of the Karalco Agreement, the Company had an oral agreement to pay Karalco a monthly retainer of \$60,000 for similar services in connection with the Project. The oral contract also provided for the payment of incentive fees based on Project related milestones (being the ratification of the mining concession and the signing of the DUBAL subscription agreement) being achieved. Both milestones were achieved and the associated incentive fees were paid during the year ended December 31, 2006. The Karalco Agreement does not currently contemplate further incentive fees or milestones. Compensation arrangements under the Karalco Agreement will remain subject to review based on the status of the Project and the level of activity required of Karalco on behalf of the Company.

The total payments including the monthly retainer and incentive fees for the year ended December 31, 2006 amounted to \$996,000 (2005 – \$1,270,000).

An employee of BusinessCom Europe, a company controlled by Mr. Karjian, provided professional services to Global Alumina in 2006. BusinessCom Europe was reimbursed at 105% cost. The arrangement terminated in June 2006. The total expenses for the year ended December 31, 2006 were approximately \$55,000.

On October 9, 2006, the Board of Directors approved, and the Company entered into, a written consulting contract (the "Herakles Agreement") with Herakles Capital Corp. ("Herakles"), one of its shareholders. Herakles is wholly-owned by Bruce Wrobel, Co-Chairman, Chief Executive Officer and a shareholder of the Company. The Herakles Agreement covers Mr. Wrobel's services as the Co-Chairman and Chief Executive Officer of the Company. The Company and Herakles have agreed that the Herakles Agreement will be retroactively effective from January 1, 2006. Under the Herakles Agreement, the Company has agreed to pay Herakles \$200,000 per annum. Herakles is also eligible to participate under the Company's employee stock option plan. In the event that the Company terminates the Herakles Agreement without cause (as defined under the Herakles Agreement), Herakles will be entitled to a minimum payment equal to \$400,000. Prior to January 1, 2006, the Company had an oral agreement with Herakles to either pay directly or reimburse Herakles for professional services rendered by employees of, and consultants retained by, Herakles. All professional services rendered by employees of, and consultants retained by, Herakles were retained at or below market rates and Herakles was reimbursed at cost. Effective January 1, 2006, this oral agreement with Herakles covered solely the professional services of Bruce Wrobel and has now been superseded by the Herakles Agreement.

The total payments attributable to the Herakles Agreement for the year ended December 31, 2006 amounted to approximately \$208,000 (2005 – \$1,181,000).

Bruce Wrobel is also the Chief Executive Officer of Sithe Global Power, LLP ("Sithe Global"), which has provided and continues to provide professional services to the Company. Sithe Global is reimbursed at cost. The total payments for the year ended December 31, 2006 amounted to approximately \$407,000 (2005 – \$218,000). In addition, the President of Sithe Global provides consulting services to the Company at a rate of \$15,000 per month. The total payments for the year ended December 31, 2006 amounted to \$180,000 (2005 – \$150,000).

In prior years, the Company had an agreement to reimburse Herakles for occupancy expenses. For the year ended December 31, 2006, the Company reimbursed Herakles \$nil (2005 – \$215,000). This arrangement terminated when the Company moved in December 2005 to new offices, which are shared with Sithe Global. Sithe Global reimburses the Company for its pro rata share of occupancy expenses. Occupancy costs paid by Sithe Global to the Company for the year ended December 31, 2006 amounted to approximately \$628,000 (2005 – \$96,000).

Mr. Ahmed Fikree, a director of the Company, is the Director, Commercial and Corporate Development, for Dubai Aluminium Company Limited ("DUBAL") and Dr. Abdulrahman Al Awar, a director of the Company, is Chief Risk Officer for DUBAL. DUBAL and the Company are parties to a subscription agreement dated August 10, 2005 (the "DUBAL Subscription Agreement"), and DUBAL and the Company's subsidiary, Guinea Alumina Corporation S.A., are parties to an off-take agreement dated September 30, 2005 with respect to the anticipated alumina production from the Project. DUBAL and the Company are also parties to each of the Framework Agreement and the Loan Facility Agreement (as defined and described under Note 11).

Mr. Mehdi Dazi is a director of the Corporation and Chief Executive Officer, Investments, for EIIC, a shareholder of the Corporation. EIIC and the Corporation are parties to a subscription agreement dated August 16, 2005 and amended September 22, 2005.

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On October 27, 2006, Herakles, a related party, provided the Company with an interest-free loan of approximately \$177,000 (the "Herakles loan"), to facilitate the payment of project-related commitments which came due prior to the execution of the loan facility agreement. The Herakles loan was repaid by the corporation in full on November 8, 2006.

Amounts due from affiliates represent short-term, unsecured, non-interest bearing advances due on demand.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

10. Financial instruments

Fair value of financial instruments

The Company's financial instruments include cash, amounts due from affiliates, other assets and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values

Interest rate exposure

Interest rate risk is the risk to the Company's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. As at December 31, 2006, the outstanding loan payable in current liabilities is subject to an interest rate of 8.8%.

Foreign currency risk

The Company is exposed to foreign currency translation risk due to cash and accounts payable denominated in Canadian dollars and Guinean francs. As at December 31, 2006, assets consisting principally of cash and cash equivalents denominated in Canadian dollars totalled \$13,905 (2005 – \$15,435) and in Guinean francs totalled \$185,582 (2005 – \$176,395). The Company does not enter into arrangements to hedge its foreign currency risk.

11. Framework agreement Loan Agreement

On November 2, 2006, the Company entered into an agreement (the "Framework Agreement") pursuant to which the Company, Global Alumina International, Ltd. ("GAI"), a wholly-owned subsidiary of the Company, Guinea Alumina Corporation, Ltd. ("GAC"), a wholly-owned subsidiary of GAI, BHP Billiton Aluminium Company Limited, The Broken Hill Proprietary Company (Pty) Limited ("BHP Billiton"), Dubai Aluminium Company Limited ("DUBAL") and Mubadala Development Company PJSC ("Mubadala") agreed to enter into exclusive negotiations to form a joint venture to develop and operate the Company's alumina refinery project in the Republic of Guinea (the "Project"). On November 2, 2006, GAC entered into a \$100 million secured loan facility agreement (the "Loan Facility Agreement"), as borrower, with BHP Development Finance Proprietary Limited, an affiliate of BHP Billiton, DUBAL, and Mubadala.

The Loan Facility Agreement provides interim financing of up to \$100 million to fund Project expenditures incurred up to the date the joint venture agreements are finalized. The proceeds of the facility may only be applied to the payment of approved Project costs and may not be used for any other purposes. The Company and GAI are guarantors under the Loan Facility Agreement. The facility is currently secured by a pledge by GAI of its shares of GAC. The facility bears interest at a rate of 8.8% per annum. Interest will accrue until the maturity date of the facility. If the parties are unable to agree on the definitive agreements contemplated under the Framework Agreement, amounts advanced under the Loan Facility Agreement are required to be repaid prior to May 31, 2007. At December 31, 2006 GAC had drawn down the Loan Facility Agreement by \$22,072,845.

The original date by which the parties had to enter into the definitive agreements contemplated under the Framework Agreement was November 30, 2006. There have been several extensions of this date, which is now set for March 31, 2007.

Upon execution of definitive agreements contemplated under the Framework Agreement, the Company will become eligible to draw further funds under this Agreement until completion of the joint venture transaction.

Subsequent events

Subsequent to year end, in accordance with the terms of the Loan Facility Agreement GAC has drawn down a further \$26,626,836.

On March 26, 2007 the Company approved entering into the joint venture agreements with BHP Billiton, DUBAL and Mubadala (the "Subscribers") under which the Company will retain a one-third interest in GAC and will sell a two-thirds interest in GAC for aggregate

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proceeds of approximately US\$260 million. Completion of the transaction is subject to a number of conditions, including formal consent of the Government of the Republic of Guinea.

The joint venture will be effected through a share subscription agreement which will provide for the purchase by the Subscribers of fractional interests in the shares of GAC. GAC, GAI and the other Subscribers also will enter into a shareholders' agreement which will provide for governance and management of GAC.

Costs incurred in connection with the proposed transaction that are direct and incremental in nature amount to \$885,377 and have been deferred as a prepaid expense on the balance sheet. Upon consummation of the transactions described in the Framework Agreement, the deferred costs will be recognized as part of the related components of the transaction.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

13. Contingent liability

There is litigation outstanding that management believes is without merit. Any financial statement impact will be reflected in the year of settlement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Global Alumina Corporation ("Global Alumina" or the "Corporation") and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2006, together with the related notes contained therein. The Corporation's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at www.sedar.com.

All dollar amounts are in United States dollars. The date of this management's discussion and analysis is March 26, 2007.

Forward Looking Information

Certain information in this discussion is "forward looking information", which reflects management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. In this discussion, the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate" and "expect" and similar expressions, as they relate to the Corporation, are often, but not always, used to identify forward looking information. Such forward looking information reflects management's current beliefs and is based on information currently available to management. Forward looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of whether or not or the times at, or by which, such performance or results will be achieved. In particular, this discussion contains forward looking information pertaining to the following: expectations regarding the financing of the Project (as defined below) and the sources of financing including the anticipated completion of the transactions contemplated by the Subscription Agreement (as defined below); the amount, nature and timing of capital expenditures; the timing of refinery construction and mine start up; bauxite reserve and resource quantities; the ultimate recoverability of reserves; future production levels; expectations regarding the negotiation of contractual rights; prices for alumina and aluminium; operating and other costs; treatment under the fiscal terms of the "tax exhibit" to the Basic Agreement (as defined below) and the negotiation and terms of agreements relating to the Corporation's access to and use of certain infrastructure required for the development and operation of the Project; and business strategies and plans of management.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking information, including, but not limited to: the failure to execute the Subscription Agreement or to complete the transactions contemplated thereby and the Corporation's inability to negotiate an alternative transaction; the failure by the Corporation to satisfy the conditions to the drawdowns under the Loan Facility Agreement (as defined below); the Corporation may not be able to secure sufficient financing to address its current liquidity issues and continue with the development and construction of the Project; the ability of the Corporation to repay advances under the Loan Facility Agreement if transactions contemplated by the Subscription Agreement are not completed; the current political unrest in the Republic of Guinea and the political and economic risks of investing in a developing country; the failure of the joint venture parties to approve plans for the development of the Project after completion of a feasibility study no later than September 30, 2007; construction risks such as cost overruns, delays and shortages of labour, materials or equipment; the Corporation's dependence on a single mining property; the possible forfeiture of the Mining Concession (as defined below) in certain circumstances; operational risks such as access to infrastructure and skilled labour; price volatility of alumina, aluminium or raw materials; and all other factors discussed under the heading "Risk Factors" in the Corporation's Annual Information Form. Although the forward looking information contained in this discussion is based upon what management of the Corporation believes are reasonable assumptions, Global Alumina cannot assure investors that actual results will be consistent with this forward looking information. If the assumptions underlying forward looking information prove incorrect or if more of the risks or uncertainties materialize, actual results may vary materially from those described in this discussion as intended, planned, anticipated, believed, estimated or expected. This forward looking information is made as of the date of this discussion, and Global Alumina assumes no obligation to update or revise it to reflect new events or circumstances.

Business of Global Alumina

Global Alumina's business was originated and carried on by its predecessor, GAPCO (Guinea Aluminium Products Corporation) Ltd. ("GAPCO"), a British Virgin Islands Corporation incorporated on July 21, 1999, until

May 25, 2004 when GAPCO completed a share exchange transaction by plan of arrangement with PL Internet Inc., which changed its name to Global Alumina Products Corporation and continued on May 26, 2004 as a New Brunswick corporation upon filing articles of continuance under the *Business Corporations Act* (New Brunswick) (the “NBBCA”). The Corporation changed its name to Global Alumina Corporation effective as of April 29, 2005 upon filing articles of amendment under the NBBCA. On May 8, 2006, the Corporation amended its articles to restrict the business of the Corporation to: (a) the ownership, development, construction, operation, maintenance and expansion, directly or through one or more subsidiaries, of (i) bauxite mines in the Republic of Guinea, (ii) an alumina refinery in the Prefecture of Boké, Republic of Guinea, (iii) any other alumina refinery located in the Republic of Guinea, and (iv) roads, railroads, port facilities and other infrastructure that is associated with the operation of any such mines and refineries; and (b) other related business activities reasonably determined by the Board of Directors of the Corporation to be necessary or complementary in connection therewith (including the ownership by the Corporation of Aluminpro Aluminium Industry Professionals Inc. (“Aluminpro”).

Global Alumina’s business is the development, construction and operation of an alumina refinery in a major bauxite mining region of the Republic of Guinea (“Guinea”), together with a bauxite mine, power plant, port, railway, road and other ancillary infrastructure (the “Project”). This region is one of the largest bauxite producing regions in the world. Global Alumina currently operates through its wholly-owned subsidiary, Global Alumina International, Ltd. (“GAI”) (formerly GAPCO), a British Virgin Islands corporation, which in turn wholly owns Guinea Alumina Corporation, Ltd. (“Guinea Alumina”) (formerly Boké Alumina Corporation, Ltd.), also a British Virgin Islands corporation, and its wholly-owned Guinean subsidiary, Guinea Alumina Corporation, S.A. (the “Project Company”) (formerly Boké Alumina Corporation S.A.R.L.). Global Alumina has been unprofitable since incorporation and to date has not earned any form of revenue, except interest income and other ancillary income related to fees earned on sales made by engineering consultants at Aluminpro, a subsidiary of Global Alumina. From its inception on July 21, 1999 through December 31, 2006, Global Alumina has incurred a cumulative deficit of \$63,911,346.

Basic Agreement and Mining Concession Decree

On October 15, 2004, the Corporation, Guinea Alumina and the Ministry of Mines and Geology (the “Ministry of Mines”) of the Republic of Guinea signed an agreement (the “Basic Agreement”) for the development, construction and operation of the Project. The Basic Agreement is a comprehensive investment and concession agreement that grants Guinea Alumina and the Project Company exclusive rights to build and operate an alumina refinery within a 690 square kilometre mining concession area (the “Mining Concession”) near Sangarédi. On May 16, 2005, the Corporation and the Ministry of Mines signed an amendment to the Basic Agreement modifying certain terms, including amending the 15 year corporate tax exemption to a schedule of fixed annual payments. On May 19, 2005, the Republic of Guinea’s National Assembly unanimously ratified the amended Basic Agreement. On July 4, 2005, the President of Guinea signed a decree publishing the amended Basic Agreement as law.

On January 23, 2006, the Government of Guinea issued a formal decree granting the Mining Concession to Global Alumina. Under the terms of the decree, the concession has an initial term of 25 years, renewable in accordance with the Basic Agreement.

On January 13, 2006, an agreement (the “Tripartite Agreement”) was entered into between Global Alumina, the Government of Guinea and Compagnie des Bauxites de Guinée (“CBG”), a joint venture between Halco (Mining) Inc. and the Government of Guinea. Under the Tripartite Agreement, CBG agreed to transfer the area which would become the subject of the Mining Concession, which initially formed a portion of the original CBG concession, back to the Government of Guinea in exchange for exploitation permits for certain additional areas in the Cogon Tominé region of Guinea. The Government of Guinea subsequently granted the Mining Concession area to Global Alumina. If Global Alumina does not realize the refinery within six years from the date the Government of Guinea published the Mining Concession decree, its Mining Concession will revert to the Government of Guinea and, in the case of such reversion, CBG retains a right to request by written notice that the Government of Guinea return the Mining Concession to CBG’s management. The Mining Concession will also revert to the Government of Guinea upon: the bankruptcy, cessation of business or liquidation of Global Alumina; or the transfer by Global Alumina to a third party of its mining rights with respect to the Mining Concession, if transfer is made without the written consent of the Government of Guinea and the proposed refinery has not been realized in accordance with the terms of the Basic Agreement. At the request of the Corporation, the Mining Concession was transferred from the Corporation to the Project Company by Arrêté issued by the Minister of Mines dated November 16, 2006. See “Loan Facility Agreement”.

Alumina Sale and Purchase Agreements

On September 30, 2005, the Project Company and DUBAL entered into a twenty year purchase and sale agreement (the "DUBAL Off-take Agreement") on a take or pay basis for 40% of the proposed refinery's annual production at a price expressed as a percentage of the three-month forward price of high-grade aluminium as set on the London Metal Exchange.

On January 24, 2006, the Project Company and Glencore International AG ("Glencore") entered into a twenty year purchase and sale agreement on a take or pay basis for 420,000 tonnes per year of alumina at a price expressed as a percentage of the three-month forward price of high-grade aluminium as set on the London Metal Exchange subject to a minimum price. The percentage has been fixed for the life of the contract.

On December 7, 2001, GAPCO granted an option (the "Mitsubishi Option") to Mitsubishi Corporation ("Mitsubishi") to enter into good faith negotiations for the purchase of up to 25% of the proposed refinery's expected annual production. See "Recent Developments – Off-take Agreements".

On October 30, 2001, GAPCO granted an option (the "Marubeni Option") to Marubeni Corporation ("Marubeni") to enter into good faith negotiations for the purchase of up to 20% of the proposed refinery's expected annual production. This agreement was amended in 2006. See "Recent Developments – Off-take Agreements".

Recent Developments

A. *Financial Hardship*

On March 26, 2007 the board of directors of the Corporation, on the recommendation of a special committee of independent directors constituted to consider the joint venture Transaction (defined below) and the availability of certain exemptions under the Ontario Securities Commission Rule 61-501 – *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*, made the determination that the Corporation is in serious financial difficulty. The board also determined that the Transaction is designed to improve the financial position of the Corporation and the terms of the Transaction are reasonable under the circumstances of the Corporation.

The Corporation is a start-up entrant in a highly concentrated industry pursuing a high risk venture requiring approximately \$3 billion in investment. At this stage, the Corporation is non-revenue generating and is wholly dependent on external sources of financing to meet its operating costs and to fund capital expenditures. The Corporation has had to reduce its expenditure rate by approximately 35% in order to conserve cash. As a consequence, Project development has slowed to a pace just enabling the Corporation to meet its obligations to the Government of Guinea under the Basic Agreement and Mining Concession. The Corporation's cash requirements are being met almost entirely from advances under the \$100 million secured loan facility agreement entered into on November 5, 2006 (the "Loan Agreement"). Pursuant to the Loan Agreement, approximately \$49 million of the facility has been advanced to date. All amounts owing under the Loan Agreement would have become repayable with accrued and unpaid interest on May 31, 2007 if the Transaction negotiations had failed.

The Corporation's financial difficulties were due primarily to the challenges the Corporation encountered in its recent efforts to raise further equity financing. First, the significant worldwide escalation of costs relating to construction and development in resource based industries arising from current global economic conditions has caused an upward revision of the projected costs of development of the Project since its inception. Second, consolidation in the aluminium industry has resulted in a reduction in the number of strategic investors available to the Corporation. Third, major investors stated a preference, for tax and other reasons, to invest directly at the Project level. Fourth, current market prices for the Corporation's shares have not reflected, in management's view, an appropriate valuation of the Project.

Upon Completion (defined below), the Subscribers (defined below) under the Subscription Agreement (defined below) will make an initial payment of approximately \$151.1 million, and subject to Guinea Alumina achieving certain future milestones, will make three additional payments totalling \$108.9 million (bringing the total subscription price to \$260 million) in exchange for a two-thirds interest in Guinea Alumina. The Corporation has agreed to place 85% of the purchase price in escrow to fund future capital calls and to serve as security for its warranty and indemnity obligations under the Subscription Agreement, leaving approximately 15% freely available to fund ongoing corporate expenses.

Also upon Completion, the shareholders of Guinea Alumina will make pro rata capital contributions sufficient to repay amounts outstanding, including accrued and unpaid interest, under the Loan Agreement (except that Global Alumina will contribute 100% of amounts required to repay borrowings incurred to pay corporate costs). The aggregate expected proceeds of \$260 million are expected to provide the Corporation with sufficient capital to fund its one-third share of approximately \$750 million of future Project equity requirements. The Transaction is beneficial to the Corporation in that the value of the Project will be preserved under the present circumstances and enhanced through the participation of the Subscribers.

B. Joint Venture Transaction Summary

Summary of Subscription Agreement

On March 26, 2007, the Corporation, GAI, Guinea Alumina, The Broken Hill Proprietary Company Pty Limited (“BHP Billiton”), Dubai Aluminium Company Limited (“DUBAL”) and Mubadala Development Company PJSC (“Mubadala” and, together with BHP Billiton and DUBAL, the “Subscribers”) agreed to enter into a subscription agreement (the “Subscription Agreement”, and together with the Shareholders’ Agreement (defined below) and the related agreements described below, the “Transaction”) under which the Subscribers agree to subscribe for, and Guinea Alumina agrees to issue, fractional interests in the equity capital of Guinea Alumina. Each of BHP Billiton, DUBAL and Mubadala will subscribe for such fractional interests resulting in the ownership structure of Guinea Alumina being: 33 1/3% GAI; 33 1/3% BHP Billiton; 25% DUBAL; and 8 1/3% Mubadala. The Corporation has been advised that the other joint venture parties have also approved the major terms of the joint venture subject to the finalization of definitive documentation. The Corporation expects that execution of the Subscription Agreement will occur in the next few days. This management’s discussion and analysis assumes that the Subscription Agreement has been signed as of the date hereof.

Pursuant to the Subscription Agreement, the Subscribers will pay GAI on completion of the initial subscription (“Completion”) a combined initial subscription price of approximately \$151.1 million. Within five business days of the earlier of the date of confirmation of transfer of the Mining Concession from the Corporation to the Project Company and receipt by the Project Company of a binding commitment for final debt financing of the Project, the Subscribers will pay GAI a combined first deferred subscription price of approximately \$42.22 million. Within five business days of the earlier of ten business days after the completion of a bankable feasibility study (including construction and contracting and financing plans) with respect to the Project and June 30, 2007, the Subscribers will pay a combined second deferred subscription price of approximately \$33.33 million provided such payment shall not be made until the requirements for the first deferred subscription price are met. Within five business days of the date of receipt by the Project Company of a binding commitment for final debt financing of the Project, the Subscribers will pay GAI an additional combined third deferred subscription price of approximately \$33.33 million. The interests and associated payments are summarized in the following table.

<u>Party</u>	<u>Fractional Interests</u>	<u>Completion Payment</u>	<u>First Deferred Payment</u>	<u>Second Deferred Payment</u>	<u>Third Deferred Payment</u>	<u>Total</u>
GAI	1,000,000	—	—	—	—	—
BHP Billiton	1,000,000	\$ 80 million	\$ 20 million	\$ 20 million	\$ 20 million	\$140 million
DUBAL	750,000	\$ 51.11 million	\$17.22 million	\$ 8.33 million	\$ 8.34 million	\$ 85 million
Mubadala	250,000	\$ 20 million	\$ 5 million	\$ 5 million	\$ 5 million	\$ 35 million
Total	<u>3,000,000</u>	<u>\$151.11 million</u>	<u>\$42.22 million</u>	<u>\$33.33 million</u>	<u>\$33.34 million</u>	<u>\$260 million</u>

GAI has agreed to place 85% of each payment amount into a secured escrow account, the use of which is restricted to GAI’s capital calls under the Shareholders’ Agreement (as defined below) and any warranty and indemnity obligations that may arise under the Subscription Agreement.

Conditions Precedent to Completion

Completion will occur within 20 days following execution of the Subscription Agreement, provided that the Subscribers have confirmed that all conditions precedent to Completion, including consent to the Transaction of the government of the Republic of Guinea, have been satisfied. The conditions precedent must be completed within 90 days of execution of the Subscription Agreement. The Corporation expects to satisfy the conditions to Completion shortly after execution of the Subscription Agreement; however, there can be no assurance the conditions precedent to Completion will be satisfied.

Additional Provisions

Under the Subscription Agreement, GAI has agreed to indemnify the Subscribers against, among other things (i) the claim of a third party to obtain share capital of Guinea Alumina, GAI or the Corporation, (ii) the claim of such third party to an entitlement to purchase alumina from the Project, (iii) any claim of such third party brought against the Subscribers for interference in the exercise of its rights under (i) and (ii) above, (iv) the failure of the Corporation and its subsidiaries to satisfy any requirements with respect to the Mining Concession or its transfer to the Project Company and (v) certain tax indemnities with respect to any liabilities arising from the previous tax treatment of GAI. All of the obligations of GAI under the Subscription Agreement are unconditionally guaranteed by the Corporation.

Any Subscriber can terminate the Subscription Agreement by notice prior to Completion if (i) GAI fails to perform its obligations in any material respect or an event of default occurs under the Loan Facility Agreement prior to that time, (ii) the warranties under the agreement were materially inaccurate when given, (iii) there is a change in the business of the Project resulting in more than \$10 million in reduction of value of GAI, the Corporation and Guinea Alumina, as a whole, or affecting the Project's general viability and (v) if the conditions precedent set out in the Subscription Agreement are not completed within 90 days after execution of agreement.

Summary of Shareholders' Agreement

On Completion, GAI, Guinea Alumina and the Subscribers will enter into a shareholders' agreement (the "Shareholders' Agreement") to govern management of Guinea Alumina and the Project. Guinea Alumina's board of directors will hold overall responsibility and control over management of Guinea Alumina and the Project, and will have a maximum of nine directors: GAI will have the right to appoint three directors; BHP Billiton will have the right to appoint three directors; DUBAL will have the right to appoint two directors; and Mubadala will have the right to appoint one director. BHP Billiton will have the right to appoint Guinea Alumina's chief executive and chief financial officers.

Voting Provisions

The voting entitlement of the directors appointed by each party at all times equals the aggregate proportionate shareholdings of the appointing shareholder. Certain fundamental issues will require unanimous board approval, and certain other major issues will require a super-majority board vote of 76%.

Development Plan

The Project management team will conduct a bankable feasibility study for the Project, including identification and implementation of any front-end engineering and design improvements, preparation of the Project's construction and contracting, and financing plans. The study will be submitted to Guinea Alumina's board of directors for approval no later than September 30, 2007 (the "Development Plan"). The Development Plan will include a draft supplementary equity drawdown schedule, a detailed timetable for implementation, an estimate of the total capital cost to construct the Project, the financing plan and an operating plan.

The board of Guinea Alumina will consider the Development Plan and may approve it by either (i) unanimous resolution of the directors or (ii) the affirmative vote of all the directors appointed by any three shareholders. If one of the shareholders does not approve the Development Plan at that time (a "Non-Approving Shareholder"), the Non-Approving Shareholder may notify Guinea Alumina of its election to approve the Development Plan any time prior to January 31, 2008 at which time the shareholder will cease to be a Non-Approving Shareholder.

A Non-Approving Shareholder and its appointed directors may not vote on any resolution at any general meeting or board meeting of Guinea Alumina (other than with respect to matters requiring a unanimous resolution). Persons appointed by the Non-Approving Shareholder to the management of the Project Company, will be immediately removed from office. The Non-Approving Shareholder may not dispose of its interests in the Project, except to another shareholder or to a third party that has approved the Development Plan in which case the other shareholders may exercise their pre-emptive right but must do so within 21 days.

The Non-Approving Shareholder will not be required to provide capital (whether debt or equity) to the Project as may otherwise be required, but will not be entitled to exercise any rights of pre-emption under the Shareholders' Agreement.

A Non-Approving Shareholder will have the option exercisable by notice given to each of the other shareholders to return to Project participation upon a re-entry payment proportionate to the additional funds contributed by the other shareholders since the Non-Approving Shareholder failed to approve the Development Plan plus an additional amount depending on when the re-entry is effected. This option may be exercised by the Non-Approving Shareholder at any time up to and including the date that falls five business days prior to the date of final debt funding of the Project.

If the Non-Approving Shareholder does not exercise the re-entry option, the Non-Approving Shareholder will be deemed to have offered to sell all of its interest in the Project to the remaining shareholders.

Financing

Upon Completion: BHP Billiton, DUBAL and Mubadala will subscribe and make the initial payment for fractional interests in Guinea Alumina; the shareholders will immediately approve a distribution of initial subscription funds to GAI; and the shareholders will make capital contributions sufficient for Guinea Alumina to repay all amounts outstanding, including accrued and unpaid interest, under the Loan Agreement.

Guinea Alumina intends to raise up to approximately \$2 billion of long-term, senior secured project debt financing from a consortium of export credit agencies, official development agencies and commercial bank lenders. Certain affiliates of the Subscribers may also participate in the Project lending syndicate. Management believes that BHP Billiton's direct participation as a major equity investor and technical services provider will enhance the Project and facilitate the project financing process.

Allocation of Alumina Production

The Shareholders' Agreement contemplates that the Project Company will enter into an off-take agreement, on similar terms and at the same price, with each shareholder for its proportionate share of all available alumina production from the Project. Alumina commitments under the pre-existing off-take agreements with Glencore for 420,000 tonnes per year and DUBAL for the 15% of production in excess of its existing 25% shareholder entitlement (see "Off-take Agreements" below) will be allocated from GAI's shareholder entitlement, and consideration paid by GAI to the Project Company will be adjusted as necessary to equalize consideration paid under all shareholder off-take agreements.

Material Breach

Material breach under the Shareholders' Agreement means a shareholder failing to provide capital under the Shareholders' Agreement, failing to comply with any material obligation under the Shareholders' Agreement, failing to make payment pursuant to an off-take agreement with the Project Company, or becoming insolvent.

In such circumstances, a defaulting shareholder and its appointed directors may not vote on any matter. A defaulting shareholder may not dispose of its shares in Guinea Alumina or exercise the pre-emptive rights provided by the Shareholders' Agreement. In the event that such breach is not cured prior to the expiry of the applicable cure period, such a defaulting shareholder will be deemed to have served an offer on each other shareholder to sell all of its interests in the Project. The price for such shareholder's interests will be the lower of: (a) the aggregate of: (i) in the case of the Subscribers, the consideration paid by such shareholder or, in the case of GAI, \$80,000,000; and (ii) the aggregate of all amounts advanced by the defaulting shareholder to Guinea Alumina up to that date; and (b) 90 per cent of the fair market value of the relevant interests in the Project, and such defaulting shareholder's off-take rights (taken as a whole), where the fair market value is determined by an independent expert.

Change of Control

If a controlling interest is acquired in any shareholder, other than a publicly listed corporation, the other shareholders have the right, exercisable within 45 days, to make an offer to purchase all (but not some) of the interests of such shareholder in the Project.

The Corporation will be deemed to cease to be a publicly listed corporation for the purposes of the Shareholders' Agreement in the event that it or any of its affiliates (other than Guinea Alumina or its subsidiaries) engages in any business that is not located and operating solely in the Republic of Guinea and that is not confined to the natural

resources, infrastructure or related service industries, other than any business conducted as at the date of the Shareholders' Agreement.

Restrictions and Requirements Regarding Transfer of Interests

Unless otherwise agreed in writing by the shareholders, a shareholder of Guinea Alumina may not dispose of all or any of its interests in the Project except by a transfer of the entire legal and beneficial interest in such interests to a transferee permitted by the Shareholders' Agreement. A shareholder may transfer its interest in the Project to an affiliate and, in the case of DUBAL and Mubadala only, to an affiliate of either of them. In the case of a transfer to an affiliate, the shareholder will be jointly and severally liable with such affiliate for all obligations under the Shareholders' Agreement.

A shareholder is also permitted to transfer its interest in the Project to a third party where a *bona fide* written offer for the Project interests has been made.

Before the selling shareholder transfers its interests in the Project it must give a notice in writing to all shareholders that it has received a *bona fide* offer from another shareholder or a third party. Any such offer must be in writing, for *bona fide* cash consideration or consideration readily convertible to cash, and expressly subject to the condition precedent that all necessary authorisations are obtained. The other shareholders then have the right to purchase the interests of the selling shareholder on the same terms within 30 days.

If at any time the shareholding percentage of any shareholder falls below five per cent, that shareholder will be deemed to offer to sell all (but not some) of its interests in the Project.

Summary of Ancillary Agreements

Pursuant to the Subscription Agreement, the Corporation has agreed to escrow a portion of the subscription funds and will execute an escrow agreement and related security agreement requiring the maintenance of a separate account with the escrow bank and a security interest in the account. The Corporation and GAI will pay into the escrow account 85% of the subscription price received pursuant to the Subscription Agreement, all investments acquired with escrow account funds and any interest from the escrow account balance.

On Completion, the Project Company and an affiliate of BHP Billiton will enter into a ten-year agreement under which BHP Billiton will provide technical services and support to the Project (the "Technical Services Agreement"). BHP Billiton is entitled to recover its costs and expenses incurred in providing services under the Technical Services Agreement plus the following fees: (i) an aggregate fixed fee of \$30 million for the period up to mechanical completion of the Project payable in 16 equal quarterly instalments of \$1,875,000 beginning on the last day of June; (ii) \$3.00 per tonne of alumina produced by the Project (as adjusted) up to the fifth anniversary of the Project being operational; and (iii) \$2.50 per tonne of alumina produced by the Project (as adjusted) thereafter.

At the same time, the Project Company and Aluminpro will enter into a services agreement (the "Services Agreement") in connection with the Project. Pursuant to the Services Agreement, Aluminpro will provide additional services to the Project as requested, including of a technological support nature in connection with the design, construction and operation of the Project.

On Completion, the Project Company, Global Alumina, GAI and Aluminpro will enter into an intellectual property rights deed of transfer which provides for the assignment by Global Alumina, GAI and Aluminpro of all their intellectual property rights, business information and goodwill related to the Project to the Project Company. The Project Company, Guinea Alumina, Global Alumina and GAI will similarly enter into an asset transfer agreement which provides for the assignment by the Corporation and GAI of certain tangible assets related to the Project to the Project Company.

Framework Agreement

Effective as of November 2, 2006, Global Alumina, GAI and Guinea Alumina and the Subscribers entered into an agreement (the "Framework Agreement") to enter into exclusive negotiations to acquire an interest in Guinea Alumina

and participate directly in development of the Project. On the same date, the Corporation, GAI and Guinea Alumina entered into the Loan Facility Agreement with the Subscribers and certain of their affiliates in order to fund the Corporation and its subsidiaries during the Transaction negotiation process.

Under the Framework Agreement, the parties agreed to use reasonable efforts to execute and deliver the Transaction agreements. The discussions ultimately resulted in the agreement to enter into the Subscription Agreement, the Shareholders' Agreement and related documents.

Under the Framework Agreement, DUBAL has agreed not to subscribe for additional subscription shares of the Corporation under the DUBAL Subscription Agreement (as defined below) prior to June 30, 2007.

Loan Facility Agreement

Effective as of November 2, 2006, Guinea Alumina (as borrower), Global Alumina and GAI (as guarantors) and BHP Development Finance Proprietary Limited, an affiliate of BHP Billiton, DUBAL, and Mubadala (collectively, the "Lenders") entered into a \$100 million secured loan facility agreement (the "Loan Facility Agreement"). The Loan Facility Agreement was intended to provide interim financing of up to \$100 million to fund Project expenditures incurred up to the date the parties enter into definitive Transaction agreements. The facility is secured by a pledge by GAI of its shares of Guinea Alumina. The facility bears interest at a rate of 8.8% per annum which accrues until the maturity date of the facility.

Under the Loan Facility Agreement, the Corporation and its subsidiaries may not: create or allow to exist any security interest on any of its assets other than as specified in the Loan Facility Agreement; redeem or otherwise repurchase or repay any of its share capital or issue any shares, or permit its subsidiaries to do any of the foregoing, other than as specified in the Loan Facility Agreement; incur any financial indebtedness other than as permitted by the Loan Facility Agreement; declare, make or pay any dividend on or in respect of its share capital, or permit its subsidiaries to do any of the foregoing, other than as specified in the Loan Facility Agreement; carry on any business or own any assets other than in connection with the shares it holds in its respective subsidiary or in performance of the transaction agreements and other agreements listed in the Loan Facility Agreement; or enter into any material transaction with any person otherwise than on arm's length terms and for full market value otherwise than as specified in the Loan Facility Agreement.

Outstanding amounts under the Loan Facility Agreement may become immediately repayable upon the occurrence of an event of default including: non-payment of amounts owing under the facility; a misrepresentation under the Loan Facility Agreement; defaults under any other financial indebtedness; the insolvency of the Corporation or one of its subsidiaries; the Corporation or one of its subsidiaries ceasing to carry on business; a change of control of the Corporation (generally, the acquisition of beneficial ownership of 33.33% of voting securities or the ability to elect a majority of the board) or the Corporation or its subsidiaries failing to hold all of the shares of their respective direct subsidiaries; a governmental expropriation of any assets which would be reasonably likely to result in a material adverse effect; and any objection of the Government of Guinea to any of the Transactions contemplated under the Loan Facility Agreement, the Framework Agreement or the Transaction agreements, unless such objection is remedied within ten business days.

On November 7, 2006, the Corporation completed the conditions precedent to the drawdown of \$20 million of the facility (the "First Advance"). On December 22, 2006, the Corporation completed the conditions precedent to the drawdown of an additional \$30 million of the facility (the "Second Advance"). The balance of the facility is available for subsequent borrowings (the "Subsequent Advances") upon satisfaction of certain conditions precedent, including: execution of each of the Transaction agreements; all governmental approvals or authorizations required with respect to the Transaction; the delivery of an approved business plan related to the Project; and the termination of the DUBAL Subscription Agreement or the written consent of DUBAL to the transactions contemplated under the Transaction agreements. To date, the Corporation has drawn down virtually all of the First Advance and Second Advance in multiple instalments aggregating \$48,699,681. There is no assurance the Corporation will be able to satisfy all or any of the conditions precedent and draw down on the Subsequent Advances.

The proceeds of the facility may only be applied to the payment of approved Project costs and may not be used for any other purpose, except as may be permitted by the Lenders.

Guinea Alumina must repay the loan in full on May 31, 2007 if the Transaction agreements have not been entered into by March 31, 2007 or such later date as may be agreed by all the lenders and Guinea Alumina. In respect of the Subsequent Advances (which are only available after the Transaction agreements are entered into) the loan must be repaid on the date of Completion.

A copy of the Loan Facility Agreement has been filed under the Corporation's reference page at www.sedar.com.

C. Off-take Agreements

Under the Mitsubishi Option, after the date on which the Corporation has secured binding written commitments for the purchase of at least 75% of the expected annual production from the proposed refinery, Mitsubishi will have 60 days to notify the Corporation expressing its interest to purchase production from the proposed refinery. Upon the delivery of such notice from Mitsubishi, the Corporation must enter into good faith negotiations with Mitsubishi on the terms of a long-term purchase and sale agreement in respect of up to 25% of the proposed refinery's expected annual production, the terms and conditions of which must be mutually agreeable to the parties. The obligations of GAPCO under the Mitsubishi Option were assumed by Global Alumina following the arrangement with PL Internet, Inc. On December 11, 2006, Global Alumina gave Mitsubishi notice of receipt of binding commitments for the purchase of at least 75% of the expected annual production from the proposed refinery and on February 9, 2007, Mitsubishi gave Global Alumina notice of its interest to purchase production from the proposed refinery. On February 16, 2007, Global Alumina and Mitsubishi met and Global Alumina delivered to Mitsubishi a draft long-term alumina supply agreement. The parties are now in negotiations with respect to the terms of a supply agreement.

Under an agreement dated March 2, 2006 (the "Amended Marubeni Option"), Marubeni agreed to terminate the Marubeni Option in consideration for a lump-sum payment of \$50,000 and an option to enter into good faith negotiations for the purchase of up to an aggregate of 20% of the annual alumina output resulting from any addition of a third production line to the proposed refinery.

D. Herakles Loan

On October 27, 2006, Herakles Capital Corp. ("Herakles"), a related party, provided the Corporation with an interest-free loan of approximately \$177,000 (the "Herakles Loan"), to facilitate the payment of Project-related commitments which came due prior to the execution of the Loan Facility Agreement. Following receipt of the Herakles Loan, the Corporation's cash and cash equivalents were approximately \$5,622,000. The Herakles Loan was repaid by the Corporation in full on November 8, 2006.

E. Litigation

On February 23, 2007, a complaint (the "Complaint") was filed against the Corporation, among others, alleging breach of contract and unjust enrichment. GAPCO, the Corporation's predecessor, contracted with the plaintiff to assist it in raising capital. The plaintiff arranged for IBK investment banking firm in Toronto to coordinate a private placement of units ("Units") of GAPCO, consisting of one GAPCO common share and one-half of a warrant (a "Warrant") to purchase a GAPCO common share for \$1.50. Each Unit was sold for \$1.00. GAPCO and the plaintiff entered into a written finders fee agreement (the "Finders Fee Agreement") on July 23, 2003 which provided that the plaintiff would receive a commission equal to 1.5% of the cash raised by the IBK private placement.

The Units were placed in January 2004, raising \$50 million for GAPCO. GAPCO paid the plaintiff the finders fee of \$750,000. The plaintiff alleges that the Finders Fee Agreement entitles him to an additional fee of \$562,500 in respect of the proceeds raised on the exercise of the Warrants from time to time prior to their expiry date.

The Corporation's position is that no additional finders fee is payable under the Finders Fee Agreement, as industry practice dictates that commission is only payable in respect of the consideration paid for the securities purchased and not for additional securities that may be issued upon the exercise or conversion of such securities. As the commission was paid on the proceeds raised on the sale of the Units, the Corporation asserts that it has no further obligations to the plaintiff under the Finders Fee Agreement.

The Corporation has moved to dismiss the Complaint. In the event that the Complaint is not dismissed, the Corporation intends to vigorously defend against the allegations contained therein.

Selected Annual Information

The following table provides a brief summary of the Corporation's financial operations. For more detailed information, refer to Global Alumina's consolidated financial statements.

	Year ended December 31,		
	2006	2005	2004
Total revenues (interest and fee income)	\$ 1,705,332	\$ 1,057,420	\$ 440,673
Expenses	\$ 21,223,917	\$ 18,325,708	\$ 17,515,333
Loss before taxes	\$ (19,518,585)	\$ (17,268,288)	\$ (17,074,660)
Net loss	\$ (19,518,585)	\$ (17,268,288)	\$ (17,074,660)
Net loss per share	\$ (0.10)	\$ (0.14)	(0.18)
	As at December 31,		
	2006	2005	2004
Cash and restricted cash	\$ 10,894,621	\$ 86,730,213	\$ 51,554,031
Working capital (deficit)	\$ (25,625,627)	\$ 73,470,031	\$ 47,596,920
Total assets	\$224,700,889	\$173,377,216	\$ 58,756,785
Total long-term liabilities	\$ nil	\$ nil	\$ nil

Selected Quarterly Information (unaudited)

	Quarter ended December 31, 2006	Quarter ended September 30, 2006	Quarter ended June 30, 2006	Quarter ended March 31, 2006	Quarter ended December 31, 2005	Quarter ended September 30, 2005	Quarter ended June 30, 2005	Quarter ended March 31, 2005
Total revenues (interest and fee income)	\$ 80,701	\$ 259,328	\$ 632,660	\$ 732,643	\$ 488,573	\$ 189,402	\$ 192,209	\$ 187,236
Net loss	\$(6,214,878)	\$(4,432,596)	\$(5,014,005)	\$(3,857,106)	\$(6,434,571)	\$(3,437,629)	\$(3,369,821)	\$(4,026,267)
Net loss per share	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.03)	\$ (0.03)	\$ (0.03)

Results of Operations

Global Alumina has reported operating losses since inception. Global Alumina expects to continue to sustain operating losses in the future as it is expected to incur substantial costs during the development and construction phase of the Project and earn no alumina sales revenue prior to 2010 at the earliest.

Global Alumina's operations during the year ended December 31, 2006 produced a net loss of \$19,518,585 or \$0.10 per share (2005 – \$17,268,288 or \$0.14 per share). Interest income for the year was \$1,497,830 (2005 – \$759,923). The interest income was earned on the proceeds realized from the private placements completed in 2005, proceeds realized from the exercise of warrants during 2006 and advances under the Loan Facility Agreement.

The "Breakdown of Expenditures" table which follows provides a summary analysis of operating expenditures for the year ended December 31, 2006 compared to the corresponding period in 2005 and 2004. Costs directly associated

with the early stage construction of the Corporation's refinery facility in Guinea for the year ended December 31, 2006 were \$116,459,696.

Breakdown of Expenditures

<u>Expenditures</u>	<u>Year ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Construction-in-progress	\$116,459,696	\$69,436,356	\$ 6,399,812
Engineering	Nil	25,178	9,340,006
Professional fees	6,708,540	8,488,390	5,426,554
General and administrative	12,198,010	8,285,347	2,256,951
Amortization	2,317,367	1,526,793	491,822
Total expenditures	<u>\$137,683,613</u>	<u>\$87,762,064</u>	<u>\$23,915,145</u>

The comparative numbers for 2005 and 2004 have been reclassified to conform to the presentation adopted in the current year. The reclassification relates to certain items previously included under "Professional fees" that are more appropriately classified under "General and administrative".

Professional fees include expenses related to consulting, legal, financing and accounting services. Professional fees for the year ended December 31, 2006 decreased by \$1,779,850, or 21%, from 2005. A decrease in consulting work on the Project accounts for nearly \$1.1 million of the decrease year over year. While legal fees decreased, an additional \$885,377 of legal fees related to negotiation of debt financing have been deferred on the balance sheet. Costs of the debt financing advisor and the independent consultants it hired to review the Project for the prospective lenders increased \$524,000 year over year.

The significant components of general and administrative expenses include Guinean operating expenses, travel and living expenses, salaries, insurance, healthcare and stock option expenses. Costs for those consultants who perform employment services have been classified in 2006 as general and administrative expenses. In 2005, these services, totaling \$1,599,000, were formerly classified as professional fees. The 2005 balances have been reclassified to conform with the presentation adopted for 2006. General and administrative expenses increased in 2006 over 2005 by \$3,912,663 to \$12,198,010, due primarily to the expansion of the operations in Guinea, accruals for advance bauxite royalty payments for the years 2005 and 2006 expected to be payable to the Government of Guinea commencing in 2007 and accelerated pre-construction activities. Commencing in June 2006, the Corporation moderated its work and expenditure growth rate to conserve cash as it began to seek alternative financing to replace the previously anticipated debenture financing from Emirates International Investment Corporation LLC ("EIIC"). See "Liquidity and Capital Resources". Amortization expense increased by \$790,574 for the year ended December 31, 2006 compared to 2005 primarily due to the acquisition of construction equipment totalling \$8.2 million in late 2005 and an additional \$2.6 million of construction equipment and automobiles in 2006.

Capital Expenditures

The Corporation's current estimate of the total cost to complete construction and development of the Project is approximately \$3.0 billion. This anticipated increase in the total cost of the Project from an estimated \$2.65 to \$2.95 billion is due primarily to a combination of the severe shortage of materials, construction equipment and contractors as a result of higher commodities, materials and energy prices resulting from the substantial increase in new investment in the natural resource, oil and gas and construction sectors over the past three years. In addition, in the first quarter of 2006, the Corporation made the decision to increase the initial capacity of the refinery by approximately 7% from 2.8 million tonnes per year to 3.0 million tonnes per year. The Corporation has not determined final costs estimates for completion of the Project and has not completed a final economic feasibility study of the Project. The final cost estimates will depend on the completion of engineering studies and the negotiation of construction contracts. If the transactions contemplated under the Subscription Agreement are completed, the Corporation's share of the final Project costs will be based on its proportionate interest in Guinea Alumina. See "Recent Developments – Subscription Agreement". The Project development schedule contemplates that initial alumina production from the refinery will commence by the middle of 2010 and that within six months thereafter a second processing line will be completed, bringing the refinery to production at its planned 3.0 million tonnes per year capacity in 2011.

The Project is a large, complex undertaking that will require substantial engineering, construction and operating expertise and execution. Potential cost overruns and completion delays are significant risks in projects of this size, particularly in less developed countries. Price escalation is a concern especially in current market conditions where unstable markets for building materials and consumables have risen steadily over the past five years.

Liquidity and Capital Resources

At December 31, 2006, the Corporation had a working capital deficiency of \$25,625,627, compared to a working capital surplus of \$73,470,031 at December 31, 2005. Accounts payable and accrued liabilities have increased by approximately 70% to \$26,230,473 at December 31, 2006 as the Corporation awaited drawdowns under the Loan Facility Agreement. The decrease in working capital is primarily attributable to an increased level of construction-related expenditures in 2006. In June 2006, EIC advised the Corporation that it did not intend to complete the purchase of a \$50 million principal amount convertible debenture which it had agreed to purchase pursuant to a subscription agreement dated August 16, 2005 and amended September 22, 2005. To replace this anticipated source of financing, the Corporation has entered into the Loan Facility Agreement. The Corporation has drawn down \$48,699,681 of the available borrowings under the Loan Facility Agreement as of the date hereof. In the event that the transactions contemplated by the Subscription Agreement and related agreements do not close, all amounts owing under the Loan Facility Agreement will become due and payable, with interest, on May 31, 2007. Assuming that the balance of the available borrowings become available under the Loan Facility Agreement, the Corporation expects that it will be able to meet its non-discretionary operating and capital expenditure requirements through the second quarter of 2007. However, if the Corporation does not meet the conditions precedent to further borrowings under the Loan Facility Agreement, the Corporation will have to identify and secure alternative sources of financing. If the Corporation does not meet such conditions precedent and an alternative source of financing is not secured, the Corporation will not be able to alleviate its liquidity shortfall, which may materially impact the current timetable for Project completion. The Corporation is subject to contractual limitations on its ability to raise debt and equity financing under the Loan Facility Agreement (see "Recent Developments – Loan Facility Agreement") and under the DUBAL Subscription Agreement and the IDBIF Subscription Agreement (as defined below).

Contractual Commitments

Effective March 1, 2004, GAPCO appointed Citigroup Global Markets Inc. ("Citigroup") as its financial advisor in connection with raising debt for development and construction funding of the Project. The Corporation has agreed to pay to Citigroup a monthly retainer of \$50,000 and success fees based on an agreed upon formula. Citigroup has agreed to suspend work and payment of the retainer fee for the period October 1, 2006 through March 31, 2007 pending completion of the Subscription Agreement. The success fees will accrue upon receipt of commitment letters for project-associated debt financing and will be payable in full on the execution and delivery of the definitive financing documents. The agreement with Citigroup will continue until the earlier of the consummation of debt financing and January 1, 2008.

On February 18, 2005, Global Alumina entered into a memorandum of understanding (an "MOU") with Technip France S.A. ("Technip") under which Technip will assume the role of engineering, procurement and construction contractor for the construction of the Corporation's refinery in Guinea. Under the Technip MOU, Technip agreed to move forward on the design and procurement of the refinery ("Phase One") and both parties agreed to commence negotiations on the terms of the final contract for the construction of the refinery. To date, the Corporation has paid an aggregate of \$48.3 million to Technip in connection with Phase One. The Technip MOU has expired, however, the Corporation and Technip have been negotiating a new MOU whereby Technip will carry out the engineering and procurement of the equipment and bulk materials for, and supervise the construction of, the refinery. Until this replacement MOU is agreed between the parties, Technip will continue its work based on the terms of the expired Technip MOU.

Under an MOU dated April 29, 2005, as amended by an amending agreement dated October 26, 2005 (collectively, the "2005 MOU"), Technip, Consolidated Contractors International Company, SAL ("CCIC") and Chicago Bridge & Iron Company B.V. ("CB&I") agreed to cooperate during the design and procurement phase of the proposed refinery, including the early works and mobilization phase and the construction, pre-commissioning and commissioning phase of the refinery. On September 29, 2006, the Corporation entered into a new MOU with CCIC and CB&I (the "2006 MOU"). Under the 2006 MOU, CCIC and CB&I will form a joint venture to construct the proposed

alumina refinery in Guinea and undertake specialist associated engineering requirements. CB&I is also currently engaged in the engineering work related to the precipitation unit of the proposed refinery. To date, under the 2005 MOU and the 2006 MOU, the Corporation has made aggregate payments of \$5.8 million and \$6.1 million to CCIC and CB&I, respectively. Additional funds in the amount of \$19.1 million have been paid to CCIC for other construction activities.

In 2006, the Corporation entered into additional contractual commitments for the procurement of construction materials and services, increasing the cumulative value of all construction contracts from inception through year-end to \$235.6 million. Individual contracts valued in excess of \$3.5 million that were entered in 2006 were: (i) a \$33.0 million contract for early port of Kamsar works; (ii) a \$22.5 million contract for construction of the rail spur from the main line to the refinery site; (iii) a \$17.5 million contract for the refinery site earthworks; (iv) a \$17.2 million contract for the production of crushed rock for use as railroad ballast, and in-road construction and the production of concrete; (v) a \$12.6 million contract for refinery engineering; (vi) an \$11.0 million contract for the construction of access roads from the existing highway to the refinery, quarry and new township sites; (vii) a \$9.1 million contract for 15,000 tonnes of steel H-pile sections; (viii) a \$6.3 million contract for refinery construction planning; (ix) a \$4.6 million contract for transportation and setup of the concrete batch plant; and (x) a \$3.8 million contract for construction of an upgraded, heavy duty road bridge along the main highway in Boké.

From time to time, Global Alumina enters into letter of credit arrangements in the ordinary course of business. In connection with the procurement of materials required for construction of the refinery, the Corporation entered into a letter of credit on May 5, 2006 which expired on October 21, 2006. Because of a quantity tolerance permitted in the terms and conditions of the letter of credit, the Corporation was required to keep cash on hand through the expiration date in an amount equal to 105% of the face value of the outstanding letter of credit. There are no letter of credit arrangements outstanding as at the date hereof.

The Corporation has entered into financing agreements as described under "Recent Developments" and "Financing Agreements" and the Transaction agreements. See also "Liquidity and Capital Resources".

The Corporation will not be able to complete the Project unless it is successful in its proposed capital raising efforts. As a development-stage company with no revenues and only limited assets and capital, there is no assurance that the Corporation will be able to obtain the required financing to complete the Project on terms favourable to the Corporation or at all. To date, the Corporation has raised gross proceeds of approximately \$248 million through the private placement of equity securities and the exercise of outstanding warrants and has a conditional commitment from DUBAL for an additional aggregate estimated amount of \$255 million. If the Transaction is completed, DUBAL will no longer provide its additional \$255 million investment in the Corporation, however, DUBAL and the Corporation will each assume a share of the final Project costs based on its proportionate interest in Guinea Alumina (being one-quarter and one-third, respectively). The substantial amount of debt capital required for the Project necessitates a complex financing plan with emphasis on official development, export credit and insured commercial sources. The absence of a developed legal regime in Guinea, especially with respect to real and personal property security, will make more complicated and less certain the ability of lenders to take a security interest in the Corporation's assets. This may limit the universe of lenders willing to lend to the Corporation or increase the Corporation's borrowing costs or otherwise subject the Corporation to more onerous financing terms. There is no assurance that the Corporation will secure sufficient capital on terms and conditions acceptable to it or at all. Failure to raise additional funding would have a material adverse effect on the Corporation and its ability to continue the Project.

Financing Agreements

The following agreements and private placements form part of the Corporation's efforts to secure financing for the Project. Each is described below.

The DUBAL Subscription Agreement

On August 10, 2005, the Corporation entered into the DUBAL Subscription Agreement and issued to DUBAL 10,000,000 common shares at \$2.00 per share, on September 30, 2005.

DUBAL also has the right to subscribe for additional common shares constituting 25% of the Corporation's shares outstanding on a fully-diluted basis, for a subscription price estimated at the date of the DUBAL Subscription Agreement of \$180 million (the "Additional Subscription"). The final aggregate subscription price for the Additional Subscription will depend on the cumulative amount of equity necessary to satisfy the requirements of the Project lenders for equity capital. At the date of the DUBAL Subscription Agreement, it was estimated that the Project lenders would require a cumulative amount of \$700 million of equity to be raised, resulting in an estimated Additional Subscription price of \$180 million. However, if the amount of equity required by the Project lenders exceeds or is less than \$700 million, the Additional Subscription price will be increased or decreased by 25% of the difference, as applicable. Based on a \$1 billion equity requirement, the Additional Subscription price would be \$255 million.

In consideration for its initial subscription and Additional Subscription, DUBAL will also be entitled to receive a number of common shares such that its shareholding in the Corporation would equal 25% of the common shares issued by the Corporation. DUBAL's entitlement to receive common shares upon conversion of convertible debt held by third parties, if any, arises upon the completion of the Additional Subscription but the delivery of such common shares to DUBAL will be made, at no additional cost to DUBAL, at dates in the future if and when the convertible debt is issued and converted and the number of such common shares is known. In addition, after the closing of the Additional Subscription and for so long as DUBAL owns not less than 10% of the outstanding common shares, DUBAL will be entitled to subscribe for up to 25% of any future issuances of common shares (or securities that may be converted into or exchanged for common shares) by the Corporation at the same price at which the securities are offered to others.

The DUBAL Subscription Agreement restricts the Corporation's ability to raise equity financing by placing the following restrictions on issuances of equity securities by the Corporation: (i) the Corporation may not, prior to the final closing date, issue equity securities to any person if the effect of such issuance would be that such person would own more than 25% of the total number of common shares immediately following the final closing date; (ii) the Corporation may not, prior to the final closing date, issue equity securities at a price of \$2.00 or less, unless the issuance is pursuant to a public offering of common shares; and (iii) the Corporation may not, at any time following the final closing date (provided that DUBAL owns at least 10% of the issued and outstanding common shares of the Corporation), issue any securities unless it offers DUBAL the opportunity to subscribe for that number of such securities representing 25% of the securities proposed to be issued.

Under the DUBAL Subscription Agreement, DUBAL has the right to nominate one representative for election to the Corporation's Board of Directors prior to the completion of the Additional Subscription. Ahmed Fikree, the DUBAL representative, was appointed to the Board of Directors in November 2005. After the completion of the Additional Subscription, for so long as DUBAL holds not less than 19.9% of the issued and outstanding common shares, DUBAL will have the right to nominate 25% of the Board of Directors of Global Alumina, and for so long as DUBAL holds not less than 10% but less than 19.9% of the issued and outstanding common shares, DUBAL will have the right to nominate 16.67% of the Board of Directors of Global Alumina. In anticipation of this right becoming effective, Dr. Abdulrahman Al-Awar was put forward as a nominee of DUBAL and was elected to the Board of Directors by the Corporation's shareholders at the Corporation's annual general and special meeting of shareholders held on May 8, 2006.

The Corporation and DUBAL will enter into an agreement to amend the DUBAL Subscription Agreement to provide that it will terminate on the date that sufficient funding is secured to complete the Project and that in the interim DUBAL will not exercise its Additional Subscription right. If Project financing has not been completed by a specified future date, DUBAL's Additional Subscription right will be restored provided that DUBAL first transfers to GAI all of its interest in the Project Company.

The EIIC Subscription Agreement

Under a subscription agreement with EIIC dated August 16, 2005 and amended September 22, 2005 (collectively, the "EIIC Subscription Agreement"), EIIC purchased 25,000,000 common shares at \$2.00 per share on October 20, 2005. EIIC was also committed to purchase a \$50 million convertible debenture thereunder but failed to do so. The Corporation believes that EIIC has repudiated the agreement and that the Corporation is no longer bound by the agreement.

The EIIC Subscription Agreement had restricted the Corporation's ability to raise equity capital and had entitled EIIC to nominate one representative for election to the Corporation's Board of Directors so long as EIIC held not less than 10% of the Corporation's issued and outstanding common shares.

The IDBIF Subscription Agreement

On December 29, 2005, the Corporation closed a private placement to IDB Infrastructure Fund L.P. ("IDBIF"), a limited partnership established in the Kingdom of Bahrain, for 22,222,222 common shares at \$2.25 per share, for gross proceeds of \$50 million. Under the subscription agreement dated November 29, 2005 between the Corporation and IDBIF (the "IDBIF Subscription Agreement"), as long as IDBIF holds more than 5% of the Corporation's issued and outstanding common shares, the Corporation will not issue any common shares at a price per share of less than \$2.25, other than pursuant to: (i) the terms of certain pre-existing agreements; (ii) an exercise of warrants issued by the Corporation prior to the execution of the IDBIF Subscription Agreement; (iii) an exercise of options granted in the ordinary course and consistent with past practices; or (iv) a public offering of common shares by way of prospectus.

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements as at December 31, 2006 or at December 31, 2005.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting year. Actual results could differ from those estimates.

The Corporation's significant accounting policies are summarized in Note 2 to the audited financial statements for the year ended December 31, 2006. The policies described below have the most significant effect in the preparation and presentation of our consolidated financial statements.

Development Costs

Based on the criteria set out in Canadian Institute of Chartered Accountants ("CICA") Handbook section 3450 "Research and Development Costs" and Accounting Guideline 11 "Enterprises in the Development Stage", the Corporation has determined that all of its development costs to date should be expensed. The Corporation will closely monitor future developments to assess the appropriateness of this policy.

Construction-In-Progress

Beginning October 1, 2004, in accordance with Section 3061, "Property, Plant and Equipment," of the CICA Handbook, the Corporation commenced capitalization of all costs directly related to the construction of its alumina refinery plant. Construction-in-progress is recorded at cost. Amortization will commence when the alumina refinery begins commercial production.

The Corporation would recognize a partial or full impairment to construction-in-progress whenever events or changes in circumstances indicate that the carrying amount exceeds fair value. This would occur when one or more of the following conditions are identified: a change in the extent to which the project asset is expected to be used; a change in the manner in which the project asset is expected to be used; an interruption to the construction project for an extended period of time; physical damage to the construction project; or a change in the law or environment significantly affecting the completion of the construction project.

Financing Costs

The costs incurred by the Corporation in anticipation of securing its project financing arrangements are expensed unless all of the following criteria are met: the costs are incremental and directly related to financing; the proposed financing details are specifically identified; and completion of the financing is considered to be more likely than not.

If all of the above criteria are met, the costs will be deferred and expensed over the related term of the debt or, in the case of an equity offering, recorded as a reduction of the proceeds.

Financial Instruments and Other Instruments

The Corporation's financial instruments include cash and cash equivalents, amounts due from affiliates, other assets and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values.

Financial Instruments and Comprehensive Income

In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement" and 1530, "Comprehensive Income". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Corporation will adopt these new standards effective January 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that: all financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition; all financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and all derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

The Corporation is currently assessing the impact of these new standards on its consolidated financial statements.

Outstanding Share Data

Common Shares

The Corporation has authorized an unlimited number of common shares, with no par value, of which 203,752,544 shares were issued and outstanding as at December 31, 2006 and March 26, 2007.

During the year ended December 31, 2006, 94,601 common shares were cancelled pursuant to the operation of an arrangement agreement dated April 3, 2000 between Pelangio-Larder Mines ("PLM") (a predecessor to the Corporation) and Marl Resources Corp., as amended by an agreement dated May 8, 2000 (collectively, the "PLM Agreement"). Pursuant to the PLM Agreement, any certificate representing an interest in PLM which was not surrendered prior to May 15, 2006 would cease to represent any interest or claim of any kind or nature. As of May 15, 2006, certificates representing 94,601 common shares had not been surrendered, therefore these certificates ceased to represent an interest in the capital of the Corporation and the Corporation's issued and outstanding common shares were reduced by 94,601 common shares.

Share Purchase Warrants

During the year ended December 31, 2006 a total of 26,164,399 warrants were exercised for proceeds of \$37,232,849 and an additional 1,878,850 warrants expired unexercised. Details of the 2,790,850 share purchase warrants issued and outstanding at March 26, 2007 are as follows.

<u>Number of Shares Exercisable</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
2,790,850	February 3, 2008	\$1.00

Employee Stock Options

There are 4,362,500 options outstanding under the Corporation's stock option plan for employees, directors, officers and consultants of the Corporation. Each option is exercisable for one common share. Ten million common shares have been reserved for issuance under the stock option plan. Options with respect to 5,637,500 common shares remain available for future issuance. The following table summarizes the relevant expiry dates and exercise prices for options granted under the stock option plan as of the date hereof.

<u>Number of Shares Subject to Options</u>	<u>Vested</u>	<u>Unvested</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
1,010,000	1,010,000	Nil	May 27, 2009	\$1.50
25,000	25,000	Nil	August 24, 2009	\$1.52
750,000	250,000	500,000	March 10, 2010	\$2.50
482,500	160,833	321,667	July 25, 2010	\$1.40
75,000	25,000	50,000	November 8, 2010	\$1.57
45,000	Nil	45,000	March 7, 2011	\$1.75
1,975,000	Nil	1,975,000	December 11, 2011	\$1.00

The fair value of stock options is recognized in income over the applicable vesting period as compensation expense. Compensation expense in the amount of \$495,719 (2005 – \$710,682) has been recognized in the financial statements for the year ended December 31, 2006.

Related Party Transactions

Related party transactions are disclosed in Note 9 to the financial statements for the year ended December 31, 2006 and are summarized below.

On October 9, 2006, the Board of Directors approved, and the Corporation entered into, a written consulting contract (the "Karalco Agreement") with Karalco, a corporation controlled by Karim Karjian, Co-Chairman and a shareholder of the Corporation. The Karalco Agreement covers Mr. Karjian's professional services regarding development activities with respect to the Project and certain overhead expenses incurred by Karalco in respect thereof. The Corporation and Karalco have agreed that the Karalco Agreement will be retroactively effective from January 1, 2006. Under the Karalco Agreement, the Corporation has agreed to pay Karalco \$60,000 per month. Karalco is also eligible to participate under the Corporation's employee stock option plan. In the event that the Corporation terminates the Karalco Agreement without cause (as defined under the Karalco Agreement), Karalco will be entitled to a minimum payment equal to \$1,440,000. Prior to the execution of the Karalco Agreement, the Corporation had an oral agreement to pay Karalco a monthly retainer of \$60,000 for similar services in connection with the Project. The oral contract also provided for the payment of incentive fees based on the achievement of Project-related milestones. One of these milestones, the signing of the DUBAL Subscription Agreement, occurred in 2005 and the other, the ratification of the Mining Concession, occurred in 2006. The incentive fees in respect of these milestones were paid during the year ended December 31, 2006. The Karalco Agreement does not currently contemplate further incentive fees or milestones. Compensation arrangements under the Karalco Agreement will remain subject to review based on the status of the Project and the level of activity required of Karalco on behalf of the Corporation. The total payments with respect to the monthly retainer and the incentive based compensation for the year ended December 31, 2006 amounted to \$970,000 (2005 – \$970,000). During the fourth quarter of 2005, the Corporation determined that an additional amount of \$300,000 was payable with respect out-of-pocket and related administrative expenses incurred by Karalco in connection with the services provided to the Corporation. Beginning February 1, 2006, Karalco is reimbursed an amount for office expenses. The cost of such office expenses for 2006 totalled approximately \$26,000 (\$nil – 2005).

An employee of BusinessCom Europe, a company controlled by Mr. Karjian, provided professional services to Global Alumina in 2006. BusinessCom Europe was reimbursed at 105% cost. The arrangement terminated in June 2006. The total expenses for the year ended December 31, 2006 were approximately \$55,000.

On October 9, 2006, the Board of Directors approved, and the Corporation entered into, a written consulting contract (the "Herakles Agreement") with Herakles Capital Corp. ("Herakles"), one of its shareholders. Herakles is wholly-owned by Bruce Wrobel, Co-Chairman, Chief Executive Officer and a shareholder of the Corporation. The

Herakles Agreement covers Mr. Wrobel's services as the Co-Chairman and Chief Executive Officer of the Corporation. The Corporation and Herakles have agreed that the Herakles Agreement will be retroactively effective from January 1, 2006. Under the Herakles Agreement, the Corporation has agreed to pay Herakles \$200,000 per annum. Herakles is also eligible to participate under the Corporation's employee stock option plan. In the event that the Corporation terminates the Herakles Agreement without cause (as defined under the Herakles Agreement), Herakles will be entitled to a minimum payment equal to \$400,000. Prior to January 1, 2006, the Corporation had an oral agreement with Herakles to either pay directly or reimburse Herakles for professional services rendered by employees of, and consultants retained by, Herakles. All professional services rendered by employees of, and consultants retained by, Herakles were retained at or below market rates and Herakles was reimbursed at cost. Effective January 1, 2006, this oral agreement with Herakles covered solely the professional services of Bruce Wrobel and has now been superseded by the Herakles Agreement. The total cost attributable to the Herakles Agreement for the year ended December 31, 2006 amounted to approximately \$208,000 (2005 – \$1,181,000).

On October 27, 2006, the Corporation received the Herakles Loan from Herakles. See "Recent Developments – Herakles Loan".

Bruce Wrobel is also the Chief Executive Officer of Sithe Global Power, LLP ("Sithe Global"), which has provided and continues to provide professional services to the Corporation. Sithe Global is reimbursed at cost. The total cost for the year ended December 31, 2006 amounted to approximately \$407,000 (2005 – \$218,000). In addition, the President of Sithe Global provides consulting services to the Corporation at a rate of \$15,000 per month. The total cost for the year ended December 31, 2006 amounted to \$180,000 (2005 – \$150,000).

In prior years, the Corporation had an agreement to reimburse Herakles for occupancy expenses. For the year ended December 31, 2006, the Corporation reimbursed Herakles \$nil (2005 – \$215,000). This arrangement terminated when the Corporation moved in December 2005 to new offices, which are shared with Sithe Global. Sithe Global reimburses the Corporation for its *pro rata* share of occupancy expenses. Occupancy costs paid by Sithe Global to the Corporation for the year ended December 31, 2006 amounted to approximately \$628,000 (2005 – \$96,000).

Mr. Ahmed Fikree, a director of the Corporation, is the Director, Commercial and Corporate Development, for DUBAL and Dr. Abdulrahman Al-Awar, a director of the Corporation, is Chief Risk Officer for DUBAL. DUBAL and the Corporation are parties to the DUBAL Subscription Agreement and the DUBAL Off-take Agreement. See "Financing Agreements – The DUBAL Subscription Agreement" and "Recent Developments – Off-take Agreement Discussions". DUBAL and the Corporation are also parties to each of the Loan Facility Agreement and Framework Agreement. See "Recent Developments – Loan Facility Agreement" and "Recent Developments – Framework Agreement".

Mr. Mehdi Dazi is a director of the Corporation and Chief Executive Officer, Investments, for EIIC, a shareholder of the Corporation. EIIC and the Corporation are parties to a the EIIC Subscription Agreement. See "Financing Agreements – The EIIC Subscription Agreement".

Amounts due to and from affiliates represent short-term unsecured non-interest bearing advances due upon demand.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Risk Factors

The Corporation is a development-stage company undertaking a large complex capital-intensive project in a developing country and is subject to numerous risks and challenges. The various risk factors are described herein and under the heading "Risk Factors" in the Corporation's Annual Information Form. These risk factors, including risks not currently known to the Corporation or that the Corporation currently considers immaterial, could materially and adversely affect the Corporation's business, financial condition, results of operations and growth strategy.

Evaluation of Disclosure Controls and Procedures

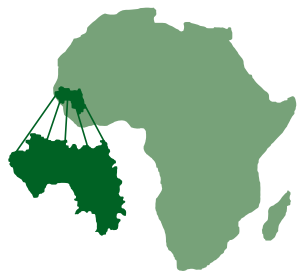
Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's Chairman and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of the period covered by this management's discussion and analysis, management of the Corporation, with the participation of the Chairman and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under *Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the Chairman and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the most recent year end there were no changes in the Corporation's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional Information

Additional documents and information regarding the Corporation, including summaries of the material terms of the Framework Agreement, the Loan Facility Agreement, the EIIC, DUBAL and IDBIF transactions and the Corporation's Annual Information Form, are or will be available through SEDAR and can be accessed through the Internet at www.sedar.com.



Global Alumina