

Global Alumina Corporation

Consolidated Financial Statements
December 31, 2007 and 2006
(expressed in U.S. dollars)

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 3 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 21, 2008

Auditors' Report

**To the Shareholders of
Global Alumina Corporation**

We have audited the consolidated balance sheets of **Global Alumina Corporation** as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive income, retained earnings (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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada

March 21, 2008

Global Alumina Corporation

Consolidated Balance Sheets

As at December 31, 2007 and 2006

(expressed in U.S. dollars)

	2007 \$	2006 \$
Assets		
Current assets		
Cash and cash equivalents	20,203,943	10,894,621
Restricted cash (note 5)	86,049,033	-
Prepaid expenses	1,345,641	11,699,433
Due from affiliates and other assets	188,106	320,932
	<u>107,786,723</u>	<u>22,914,986</u>
Investment in and advances to Guinea Alumina (note 5)	207,617,787	-
Construction-in-progress (note 4)	-	192,295,864
Property, plant and equipment (note 4)	864,260	9,490,039
	<u>316,268,770</u>	<u>224,700,889</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	830,040	26,230,473
Loan payable (note 14)	-	22,310,140
	<u>830,040</u>	<u>48,540,613</u>
Deferred dilution gain	63,445,269	-
	<u>64,275,309</u>	<u>48,540,613</u>
Shareholders' Equity		
Capital stock and other equity (note 6)	238,698,836	238,593,736
Contributed surplus	1,963,400	1,477,886
Retained earnings (accumulated deficit)	11,331,225	(63,911,346)
	<u>251,993,461</u>	<u>176,160,276</u>
	<u>316,268,770</u>	<u>224,700,889</u>

Approved by the Board of Directors

(Signed) Bruce J. Wrobel

Bruce J. Wrobel, Director

(Signed) Michael J. Cella

Michael J. Cella, Director

Global Alumina Corporation

Consolidated Statements of Operations and Comprehensive Income

(expressed in U.S. dollars)

	Years ended December 31,		Cumulative period from July 31, 1999 (date of incorporation) to December 31, 2007
	2007 \$	2006 \$	2007 \$
Other income			
Dilution gain (note 5)	88,046,498	-	88,046,498
Interest	3,513,408	1,497,830	6,177,934
Other	160,108	207,502	1,355,338
	<u>91,720,014</u>	<u>1,705,332</u>	<u>95,579,770</u>
Expenses			
Engineering	-	-	15,041,729
Professional fees	4,955,631	6,708,540	28,858,221
General and administrative	10,186,036	12,198,010	34,658,941
Amortization	1,456,417	2,317,367	5,792,399
	<u>16,598,084</u>	<u>21,223,917</u>	<u>84,351,290</u>
Share of net income in Guinea Alumina (note 5)	<u>1,006,018</u>	<u>-</u>	<u>1,006,018</u>
Net income (loss) and comprehensive income for the period	<u>76,127,948</u>	<u>(19,518,585)</u>	<u>12,234,498</u>
Basic income (loss) per share (note 8)	<u>0.37</u>	<u>(0.10)</u>	<u>0.06</u>
Diluted income (loss) per share (note 8)	<u>0.37</u>	<u>(0.10)</u>	<u>0.06</u>

Global Alumina Corporation

Consolidated Statements of Retained Earnings (Deficit)

For the years ended December 31, 2007 and 2006

(expressed in U.S. dollars)

	2007	2006
	\$	\$
Balance - Beginning of year		
As previously reported	(63,911,346)	(44,392,761)
Effects of adoption of new accounting standard (note 2)	(885,377)	-
	<hr/>	<hr/>
As restated	(64,796,723)	(44,392,761)
Net income (loss) and comprehensive income for the year	76,127,948	(19,518,585)
	<hr/>	<hr/>
Balance - End of year	11,331,225	(63,911,346)

Global Alumina Corporation

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Years ended December 31,		Cumulative period from July 31, 1999 (date of incorporation) to December 31, 2007
	2007 \$	2006 \$	2007 \$
Cash provided by (used in)			
Operating activities			
Net income (loss) for the year	76,127,948	(19,518,585)	12,234,498
Stock options/common stock issued for services (note 6)	485,514	495,719	2,263,398
Dilution gain (note 5)	(88,046,498)	-	(88,046,498)
Amortization	1,456,417	2,317,367	5,792,399
Share of net income in equity investment	(1,006,018)	-	(1,006,018)
	(10,982,637)	(16,705,499)	(68,762,221)
Changes in non-cash items relating to operating activities			
Prepaid expenses	1,787,470	(9,568,216)	(9,907,136)
Accounts payable and accrued liabilities	5,717,764	10,803,550	31,893,867
Effects of adoption of new accounting standard (note 2)	(885,377)	-	(885,377)
Due from affiliates and other assets	132,826	(285,408)	(280,045)
	(4,229,954)	(15,755,573)	(47,940,912)
Investing activities			
Acquisition of Aluminpro	-	-	(576,684)
Additions to property, plant and equipment	(114,908)	(3,163,312)	(12,861,283)
Additions to construction-in-progress	(45,188,035)	(116,459,696)	(237,483,899)
Cash flows relating to deconsolidation and investment in Guinea Alumina (note 5)	167,096,292	-	167,096,292
Restricted cash	(86,049,033)	15,316,955	(86,049,033)
Payments to affiliates	-	-	(71,099)
	35,744,316	(104,306,053)	(169,945,706)
Financing activities			
Proceeds from issuances of common shares	105,100	37,232,849	237,894,837
Deferred offering expenses	-	-	(4,827)
Collection of stock subscription receivable	-	-	4,000
Loan payable	(22,310,140)	22,310,140	-
Proceeds from affiliates	-	-	196,551
	(22,205,040)	59,542,989	238,090,561
Net increase (decrease) in cash and cash equivalents during the year	9,309,322	(60,518,637)	20,203,943
Cash and cash equivalents - Beginning of year	10,894,621	71,413,258	-
Cash and cash equivalents - End of year	20,203,943	10,894,621	20,203,943

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(expressed in U.S. dollars)

1 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 intends to accomplish this initiative through its one-third interest in Guinea Alumina Corporation, Ltd. ("Guinea Alumina"), a British Virgin Islands company, and its wholly owned Guinean subsidiary, Guinea Alumina Corporation, S.A. ("Guinea Alumina S. A.").

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 through a joint venture partnership with certain parties (as described under note 5, "Formation of joint venture").

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 Adoption of new accounting recommendations

Financial instruments

Effective January 1, 2007, the Company adopted The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges. These new standards contain comprehensive requirements for the recognition and measurement of financial instruments, the treatment of financing costs and the application of hedge accounting. Section 1530 also introduces a new component of equity referred to as comprehensive income.

The primary impact on the consolidated financial statements resulting from the adoption of the new standards is an increase in the Company's deficit of \$885,377 to reflect the write-off of the balance of deferred financing costs related to the Company's debt (see note 14). Except for the foregoing adjustment, the carrying values of all of the Company's financial assets and liabilities at January 1, 2007 approximated their fair values.

Accounting changes

Effective January 1, 2007, the Company adopted CICA Handbook Section 1506, Accounting Changes, which replaced and updated the previous standard. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of this standard had no impact on the Company.

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Future accounting changes

In December 2006, CICA Handbook Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures were issued. All three sections will be applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new section removes duplicative disclosures and simplifies the disclosures relating to concentration of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

Effective January 1, 2009, the Company will adopt Section 3064, "Goodwill and Intangible Assets," which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, "Revenues and Expenses," during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

The Company has not yet determined the impact of adopting the above accounting standards.

IFRS convergence

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

3 Basis of presentation and summary of significant accounting policies

Basis of presentation

The accompanying 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, and Global Alumina International, Ltd. The consolidated financial statements included the accounts of Guinea Alumina Corporation, Ltd. on a fully-consolidated basis until May 17, 2007, on a proportionate consolidation basis from May 17, 2007 to September 30, 2007 and on an equity basis thereafter (see note 5). All references to the Joint Venture after September 30, 2007 are intended to reflect the Company's

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equity interest in Guinea Alumina on the basis of significant influence over its affairs pursuant to the Shareholders' Agreement.

Investments

The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting, whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received, if any. Carrying values of investments would be reduced to estimated market values if there is other than a temporary decline in the value of the investments. Such reduction would be recorded in the statement of operations.

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 period. 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).

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

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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 functional 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 income per share

Basic income/(loss) per share is computed by dividing income/(loss) for the year by the weighted number of common shares outstanding during the year. Diluted income/(loss) per share is computed using the treasury stock method whereby the weighted average number of common shares used in the basic income/(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." 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 product; 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, 2007, the Company has determined that it did not meet all of these criteria. Accordingly, all development costs incurred during 2007 were expensed and classified within the income statement as "Professional Fees."

Property, plant and equipment

Property, plant and equipment are comprised of construction-in-progress, leasehold improvements, motor vehicles and equipment and are recorded at carrying values less amortization. Construction-in-progress is recorded at cost. Amortization will commence when the alumina refinery is available for commercial production. 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%

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The construction equipment amortization charge is expensed until completion of a feasibility study in accordance with the Shareholders' Agreement governing the Joint Venture (see note 5 and thereafter capitalized to construction-in-progress).

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.

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.

4 Property, plant and equipment

	2007		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Motor vehicles (i)	-	-	-
Construction equipment (i)	-	-	-
Equipment (ii)	267,768	170,398	97,370
Leasehold improvement	1,196,902	430,012	766,890
Construction-in-progress (i)	-	-	-
	<u>1,464,670</u>	<u>600,410</u>	<u>864,260</u>

i) These assets were deconsolidated upon formation of the Joint Venture - see note 5.

ii) A portion of these assets were deconsolidated upon formation of the Joint Venture - see note 5.

Global Alumina Corporation
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	2006		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	205,042,240	3,256,337	201,785,903

5 Formation of joint venture

Effective May 17, 2007, Global Alumina, Global Alumina International, Ltd. ("GAI"), and Guinea Alumina Corporation, Ltd. ("Guinea Alumina"), and The Broken Hill Proprietary Company Pty Limited ("BHP Billiton"), Dubai Aluminium Company Limited ("DUBAL") and Mubadala Development Company PJSC ("Mubadala") completed the transaction contemplated by a share subscription agreement and related agreements forming a joint venture (the "Joint Venture") to develop and operate the alumina refinery Project in the Republic of Guinea, near Sangarédi.

Global Alumina received the first US\$151.1 million instalment of the aggregate US\$260 million proceeds for the issuance to the venture partners of a 66.67% interest in Guinea Alumina (BHP Billiton - 33.33%; DUBAL - 25%; and Mubadala - 8.33%), which is developing the Sangarédi Refinery Project through its wholly-owned Guinean subsidiary, Guinea Alumina Corporation, S.A. (the "Project Company"). The Company, through its wholly-owned subsidiary GAI, retains a 33.33% interest in Guinea Alumina.

Simultaneous with completion, each joint venture party made its proportionate share of an US\$80 million capital contribution to Guinea Alumina to repay US\$55.3 million of project-related borrowings under its loan facility plus interest and to establish a US\$24.7 million cash reserve to fund two months of budgeted, future project expenditures. Global Alumina also contributed an additional US\$4.4 million to repay borrowings under the loan facility for corporate costs. Upon repayment in full, the loan facility was terminated (see note 14).

After funding its share of the initial capital contribution to repay 100% of the debt under Guinea Alumina's loan facility and fund two months of expected Project costs, Global Alumina had remaining US\$120 million of the initial subscription proceeds deposited: US\$101.8 million in an escrow account the use of which is restricted to prospective budgeted expenditures of the Project Company and which is also pledged as security for warranty and indemnity obligations under the subscription agreement; and US\$18.3 million in an unrestricted account for general corporate purposes.

Global Alumina Corporation
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(expressed in U.S. dollars)

	Interest earned \$	Joint Venture capital contributions \$	Restricted escrow account balance \$
As at May 17, 2007	-	-	101,759,449
Subsequent activity	2,843,584	(18,554,000)	<u>(15,710,416)</u>
As at December 31, 2007			<u>86,049,033</u>

The remainder of the subscription proceeds will be paid in three additional instalments due on the successful completion of specified milestones. The first and second instalments, totalling an aggregate \$75.55 million, are due on the earlier of the subscribers' confirmation of satisfaction that the Guinean mining concession related to the Project has been transferred from the Company to the Project Company and debt financing for the Project Company being committed. The third instalment, totalling \$33.33 million, is due upon the debt financing for the Project being committed. Commitments for final debt financing are expected to be in place by mid-2008.

As a result of the events described in the preceding paragraphs, the Company deconsolidated the assets and liabilities of its formerly wholly-owned subsidiary Guinea Alumina as of May 17, 2007.

Upon formation of the Joint Venture, the shareholders of Guinea Alumina entered into a shareholders' agreement (the "Shareholders' Agreement") regarding the governance and conduct of the Joint Venture. On execution of the Shareholders' Agreement, the Company determined that, for accounting purposes, the contractual arrangement underlying the economic activity of the Project Company constituted joint control and recorded its remaining one-third interest investment using the proportionate consolidation method from May 17, 2007. Based on actual experience with respect to the conduct of the Project, the Company has determined that effective October 1, 2007, its relationship to Guinea Alumina changed from one of "joint control" to one of "significant influence" as those terms are defined in the CICA Handbook. Accordingly, the Company has changed the method of accounting for its interests in the Joint Venture from the proportionate consolidation method to the equity method as required for investments that are subject to significant influence.

The impact of this change on the Company's financial statements is summarized as follows:

- The proportionate consolidation method used by the Company up to September 30, 2007 resulted in the Company recognizing: (a) in its balance sheet, the Joint Venture's assets that it controlled and the Joint Venture's liabilities that it incurred; and (b) in its income statement, its share of income earned and expenses incurred by the Joint Venture. The above items were presented on a line-by-line basis.
- The equity method of accounting used by the Company commencing October 1, 2007 resulted in the Company recognizing: (a) in its balance sheet, the Company's investment in Guinea Alumina, consisting of the cost of the investment and the investment income or loss subsequent to September 30, 2007; and (b) in its income statement, its share of the net income earned by the Joint Venture. The above items are presented as single lines on the balance sheet and the income statement. Supplementary information with respect to the Company's one-third interest in Guinea Alumina is also presented (see note 9), as the Company considers such information to be meaningful to the Company's overall financial statements.

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The effects of the deconsolidation, the formation of the Joint Venture, and the equity investment are summarized as follows:

	Cash flow impact \$	Dilution gain \$
Proceeds received		151,111,113
Proceeds receivable in future instalments		<u>108,888,887</u>
		260,000,000
Company's share of capital contributed by Joint Venture partners	8,232,000	
Company's share of cash in Guinea Alumina deconsolidated	(1,366,029)	
Capital contributed by the Company	(26,684,965)	
Loan repaid	59,718,923	
Other cash contributions	<u>(4,360,027)</u>	
	35,539,902	35,539,902
Other assets, net of liabilities - sold		<u>(144,048,135)</u>
Dilution gain		151,491,767
Recognized in income for the period		<u>88,046,498</u>
Deferred pending receipt of subscription proceeds		<u>63,445,269</u>
First instalment of subscription proceeds received	151,111,113	
Company's proportionate share of cash at September 30, 2007	(13,583,840)	
Net contributions in fourth quarter 2007	<u>(5,970,883)</u>	
Cash component of deconsolidation and investment in Guinea Alumina	<u>167,096,292</u>	

The Company's investment in Guinea Alumina at December 31, 2007 amounted to \$207,617,787 and is comprised of proceeds receivable in future instalments amounting to \$108,888,887 and net investment of \$98,728,900.

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6 Capital stock and other equity

a) Share capital

Common shares, no par value, authorized unlimited number of shares, issued and outstanding 203,857,644 and 203,752,544 shares as at December 31, 2007 and 2006, respectively.

	Number of common shares	Amount \$	Number of warrants	Amount \$	Total \$
Balance - January 1, 2006	177,682,746	197,536,738	30,834,099	3,824,149	201,360,887
Shares cancelled during the year	(94,601)	-	-	-	-
Warrants exercised or expired during the year	26,164,399	41,056,998	(28,043,249)	(3,824,149)	37,232,849
Balance - December 31, 2006	203,752,544	238,593,736	2,790,850	-	238,593,736
Warrants exercised during the year	105,100	105,100	(105,100)	-	105,100
Balance - December 31, 2007	203,857,644	238,698,836	2,685,750	-	238,698,836

b) During the year ended December 31, 2007, a total of 105,100 (2006 - 26,164,399) warrants were exercised for proceeds of \$105,100 (2006 - \$37,232,849). Details of the share purchase warrants issued and outstanding as at December 31, 2007 are as follows:

Number of shares exercisable	Expiry date	Exercise price \$
2,685,750	February 3, 2008	1.00

Subsequent to year-end, the remaining 2,685,750 warrants were exercised for cash proceeds of \$2,685,750.

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 2007, no awards were granted. During 2006, a total of 2,020,000 options (1,785,000 net of cancellations) were granted.

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Stock-based compensation

The Company accounts for stock options granted under its employee stock option plan using the fair value based 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. Expenses in the amount of \$485,514 and \$495,719 have been recognized for the years ended December 31, 2007 and 2006, respectively. No stock options have been exercised as of December 31, 2007 and the unvested, unamortized fair value of stock options granted amounts to \$246,494 (2006 - \$838,446).

The Black-Scholes option pricing 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 years ended December 31 were as follows:

	2007	2006
Risk-free interest rate	4.75%	4.75%
Dividend yield	n/a	n/a
Volatility factor	55%	55%
Expected life	3 years	3 years

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

	Number of stock options	Weighted average exercise price \$
Outstanding - January 1, 2006	2,345,500	1.80
Forfeited	(3,000)	2.13
Granted	2,020,000	1.02
Outstanding - December 31, 2006	4,362,500	1.44
Forfeited	(360,000)	1.19
Outstanding - December 31, 2007	<u>4,002,500</u>	1.46
Exercisable - December 31, 2007	<u>2,401,667</u>	1.58

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Range of exercise prices \$	2007			2007		
	Options outstanding			Options exercisable		
	Number outstanding as at December 31, 2007	Weighted average remaining contractual life	Weighted average exercise price \$	Number outstanding as at December 31, 2007	Weighted average remaining contractual life	Weighted average exercise price \$
1.50	960,000	1.4 years	1.50	960,000	1.4 years	1.50
1.52	25,000	1.7 years	1.52	25,000	1.7 years	1.52
2.50	750,000	2.2 years	2.50	500,000	2.2 years	2.50
1.40	482,500	2.6 years	1.40	321,667	2.6 years	1.40
1.75	45,000	3.2 years	1.75	15,000	3.2 years	1.75
1.00	1,740,000	3.9 years	1.00	580,000	3.9 years	1.00
	<u>4,002,500</u>		<u>1.46</u>			
			2006			2006
Range of exercise prices \$	Options outstanding			Options exercisable		
	Number outstanding as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price \$	Number outstanding as at December 31, 2006	Weighted average remaining contractual life	Weighted average exercise price \$
	1.50	1,010,000	2.4 years	1.50	1,010,000	2.4 years
1.52	25,000	2.7 years	1.52	12,500	2.7 years	1.52
2.50	750,000	3.2 years	2.50	250,667	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	-	-	-
	<u>4,362,500</u>		<u>1.44</u>			

Contributed surplus

	2007 \$	2006 \$
Balance - Beginning of year	1,477,886	982,167
Stock compensation expense	485,514	495,719
	<u>1,963,400</u>	<u>1,477,886</u>

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7 Income taxes

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

	2007 \$	2006 \$
Income (loss) for the year	76,127,948	(19,518,585)
Income tax (recovery) provision at combined Canadian federal and provincial statutory rates	26,736,135	(6,847,723)
Current year losses not recognized	4,177,183	6,174,069
Permanent differences	(30,751,418)	181,131
Increase in valuation allowance	(161,900)	492,523
Provision for (recovery of) income taxes	-	-

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

	2007 \$	2006 \$
Capital assets	-	4,272,000
Non-capital losses carried forward	3,301,000	2,913,000
Reorganization costs	305,000	1,193,000
Equity investment	(1,568,000)	-
Net future income tax asset	2,038,000	8,378,000
Valuation allowance	(2,038,000)	(8,378,000)
Net future income tax asset recorded	-	-

As at December 31, 2007, the Company has Canadian non-capital losses that expire as follows:

Year of expiry	\$
2014	1,101,000
2015	4,466,000
2026	2,246,000
2027	3,364,404

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8 Income (loss) per share

The computations for basic and fully diluted income (loss) per common share are as follows:

	2007	2006
Net income (loss) for the year	\$76,127,948	\$(19,518,585)
Weighted average number of common shares - basic	203,785,000	198,000,000
Weighted average number of common shares - diluted	207,101,000	198,000,000
Income (loss) per common share - basic	\$0.37	\$(0.10)
Income (loss) per common share - diluted	\$0.37	\$(0.10)

9 Investment in Guinea Alumina

The Company's one-third interest in Guinea Alumina (note 5), as adjusted for the Company's accounting policies, is summarized as follows:

	2007	Company's one-third interest
	\$	\$
Cash	40,751,519	13,583,840
Other current assets	8,332,770	2,777,590
Construction-in-progress	269,144,612	89,714,871
Other property, plant and equipment	7,430,394	2,476,798
Current liabilities	(46,403,358)	(15,467,786)
Net assets	<u>279,255,937</u>	<u>93,085,313</u>
Revenues	310,555	103,518
Costs and expenses	<u>(2,603,111)</u>	<u>(867,704)</u>
Net loss	<u>(2,292,556)</u>	<u>(764,186)</u>

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10 Commitments

The Company has an operating lease arrangement for its leased premises. For the year ended December 31, 2007, the total cost under this operating lease was \$692,351 (2006 - \$698,665). The Company's commitments for the operating lease for the next five years are as follows:

	\$
2008	692,492
2009	692,492
2010	692,492
2011	519,369
2012	-
Total	<u>2,596,845</u>

The commitment amounts have not been reduced by the sublease income earned by the Company, as disclosed in note 12.

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.

11 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.

12 Related party transactions

During the year ended December 31, 2007, 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"). In addition, the Company agreed to reimburse certain overhead expenses incurred by Karalco in respect thereof, including office facilities and administrative staffing. The Company and Karalco agreed that the Karalco Agreement is retroactively effective from January 1, 2006. Under the Karalco Agreement, the Company agreed to pay Karalco \$60,000 per month. As of May 17, 2007, the Joint Venture (note 5) reimburses the Company for this monthly retainer. 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.

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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 cost, including the monthly retainer, incentive fees and reimbursement of certain overhead expenses, for the year ended December 31, 2007 totalled \$750,500 (2006 - \$996,500), of which \$447,100 (2006 - \$nil) was reimbursed by the Joint Venture. In addition, the Company paid to Mr. Karjian in 2007 a bonus of \$300,000 in connection with negotiation of the Joint Venture.

Per terms of the Shareholders' Agreement (see note 5), the Company has been reimbursed \$217,100 related to the salary costs of certain individuals that are billed back to the Joint Venture at cost.

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 controlled 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 agreed that the Herakles Agreement is retroactively effective from January 1, 2006. Under the Herakles Agreement, the Company agreed to pay Herakles \$200,000 per annum. The Herakles Agreement was amended to provide an annual payment of \$250,000 as of January 1, 2007. 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 \$500,000.

The cost attributable to the Herakles Agreement for the year ended December 31, 2007 totalled approximately \$550,000 (2006 - \$207,700), including a 2007 bonus of \$300,000 in connection with negotiation of the Joint Venture.

Bruce Wrobel is also the Chief Executive Officer of Sithe Global Power, LLP ("Sithe Global"), which provided until May 17, 2007, professional services to the Company. Sithe Global was reimbursed at cost. The total charge for the year ended December 31, 2007 was approximately \$47,400 (2006 - \$407,200). Formerly, the President of Sithe Global provided consulting services to the Company at a rate of \$15,000 per month. Those services terminated as of May 31, 2007. For the year ended December 31, 2007, the total costs were \$75,000 (2006 - \$180,000). Additionally, the Company provided, at cost, professional services to Sithe Global. The total charge for the year ended December 31, 2007 was approximately \$3,800 (2006 - \$nil).

On July 19, 2004, the Company entered into a consulting agreement with Bernard Cousineau with respect to his services as President of the Company. On April 25, 2007, Mr. Cousineau stepped down as President of the Company. Effective June 1, 2007, Mr. Cousineau's agreement was amended to reflect his current services as Senior Operations Advisor and director of the Company as well as Vice-President and director of Aluminpro. Mr. Cousineau's consulting agreement provides a monthly retainer of \$5,000 paid in equal portions by the Company and Aluminpro and an annual incentive payment of 10% of the profits realized by Aluminpro in such year. Mr. Cousineau also receives a fee for his services as a director of the Company. As of June 1, 2007, the Company has also amended its consulting agreements with each of Ian Porteus, the Senior Technical Advisor to the Company and Vice-President and director of Aluminpro and Brian Gallagher, the Business Manager,

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Secretary and Treasurer of Aluminpro. Mr. Porteus' consulting agreement provides a monthly retainer of \$8,500 paid one-third by the Company and two-thirds by Aluminpro and an annual incentive payment of 10% of the profits realized by Aluminpro. Mr. Gallagher's consulting agreement provides a monthly retainer of \$8,663 paid by Aluminpro and an annual incentive payment of 5% of the profits realized by Aluminpro.

Since December 2005, the Company has shared office space with Sithe Global. Sithe Global reimburses the Company for its pro rata share of occupancy expenses. Occupancy costs charged to Sithe Global by the Company for the year ended December 31, 2007 totalled approximately \$715,400 (2006 - \$627,900).

Mr. Ahmed Fikree, a director of the Company, is the Director, Commercial and Corporate Development for DUBAL and Dr. Abdulrahman Al Awar, a director of the Company until April 25, 2007, 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 an off-take agreement dated September 30, 2005 with respect to the anticipated alumina production from the Project. DUBAL and the Company were also parties to each of the Shareholders' Agreement, the Framework Agreement and the Loan Facility Agreement (as defined and described under note 5).

Until April 25, 2007, Mr. Mehdi Dazi was 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.

A former employee who left the Company during 2007 performs certain services and incurs certain expenses for Herakles Telecom, a company in which certain of the Company's officers are shareholders. Approximately \$98,700 has been billed at cost related to this work.

Amounts due from affiliates represent short-term, unsecured, non-interest bearing advances, which are 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 to by the related parties.

13 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

The Company does not have significant exposure to interest rate fluctuations.

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Foreign currency risk

The Company is exposed to foreign currency translation risk due to cash and accounts payable denominated in Canadian dollars and, formerly, Guinean francs. As at December 31, 2007, assets, consisting principally of cash denominated in Canadian dollars, totalled \$10,902 (2006 - \$13,905) and in Guinean francs totalled \$nil (2006 - \$185,582). The Company does not enter into arrangements to hedge its foreign currency risk.

14 Loan agreement

On November 5, 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 proceeds of the facility could only be applied to the payment of approved Project costs and could not be used for any other purpose, except as permitted by the Lenders. The facility was secured by a pledge by GAI of its shares of Guinea Alumina. The facility bore interest at a rate of 8.8% per annum, which accrued until the maturity date of the facility.

The loan and accrued interest were repaid in full on May 17, 2007 (see note 5) and the agreement was terminated.

15 Comparative figures

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