

Global Alumina Corporation

Consolidated Financial Statements
December 31, 2010 and 2009
(expressed in US 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 auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall consolidated 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 consolidated 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
Co-Chairman and Chief Executive Officer

(Signed) MICHAEL J. CELLA
Chief Financial Officer

February 17, 2011

Independent Auditor's Report

To the Shareholders of Global Alumina Corporation

We have audited the accompanying consolidated financial statements of Global Alumina Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss, retained earnings and cash flows for the years then ended, and the related notes including significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Alumina Corporation and its subsidiaries as at December 31, 2010 and 2009 and its results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario, Canada

February 17, 2011

Global Alumina Corporation

Consolidated Balance Sheets

As at December 31, 2010 and 2009

(expressed in US dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	9,244,322	12,573,186
Restricted cash (note 5)	34,637,759	51,090,621
Prepaid expenses	321,126	658,511
Due from affiliates and other assets	877,491	35,824
	<hr/>	<hr/>
	45,080,698	64,358,142
Investment in Guinea Alumina (note 5)	207,856,750	194,076,219
Property, plant and equipment (note 4)	160,010	362,303
	<hr/>	<hr/>
	253,097,458	258,796,664
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	667,279	689,359
Shareholders' Equity		
Capital stock and other equity (note 6)	214,260,780	214,260,780
Contributed surplus (note 6)	17,938,843	17,220,484
Retained earnings	20,230,556	26,626,041
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	252,430,179	258,107,305
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	253,097,458	258,796,664
Commitments (note 9)		

The accompanying notes are an integral part of these consolidated financial statements.

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 (Loss)

(expressed in US dollars)

	<u>Years ended December 31,</u>		Cumulative
	2010	2009	period from
	\$	\$	July 31, 1999
			(date of
			incorporation)
			to December 31,
			2010
			\$
Other income			
Dilution gain	-	-	118,158,434
Interest	128,008	689,987	9,350,236
Other	95,658	283,079	1,991,761
	<u>223,666</u>	<u>973,066</u>	<u>129,500,431</u>
Expenses			
Engineering	-	-	15,042,729
Professional fees	684,836	825,878	32,165,950
General and administrative	3,012,553	4,839,374	46,796,142
Amortization	202,293	220,489	6,496,648
	<u>3,899,682</u>	<u>5,885,741</u>	<u>100,501,469</u>
Share of net loss in Guinea Alumina (note 5)	<u>(2,719,469)</u>	<u>(3,494,074)</u>	<u>(7,866,133)</u>
Net (loss) income and comprehensive (loss) income for the period	<u>(6,395,485)</u>	<u>(8,406,749)</u>	<u>21,132,829</u>
Basic and diluted (loss) income per share (note 8)	<u>(0.03)</u>	<u>(0.04)</u>	<u>0.11</u>

The accompanying notes are an integral part of these consolidated financial statements.

Global Alumina Corporation

Consolidated Statements of Retained Earnings
For the years ended December 31, 2010 and 2009

(expressed in US dollars)

	2010	2009
	\$	\$
Retained earnings - Beginning of year	26,626,041	35,032,790
Net loss and comprehensive loss for the year	<u>(6,395,485)</u>	<u>(8,406,749)</u>
Retained earnings - End of year	<u>20,230,556</u>	<u>26,626,041</u>

The accompanying notes are an integral part of these consolidated financial statements.

Global Alumina Corporation

Consolidated Statements of Cash Flows

(expressed in US dollars)

	Years ended December 31,		Cumulative period from July 31, 1999 (date of incorporation) to December 31, 2010
	2010	2009	
	\$	\$	\$
Cash provided by (used in)			
Operating activities			
Net (loss) income for the year	(6,395,485)	(8,406,749)	21,132,829
Stock options/common stock issued for services (note 6)	718,359	1,050,877	4,703,680
Dilution gain	-	-	(118,158,434)
Amortization	202,293	220,489	6,496,648
Share of net loss in equity investment (note 5)	2,719,469	3,494,074	7,866,133
	(2,755,364)	(3,641,309)	(77,959,144)
Changes in non-cash items relating to operating activities			
Prepaid expenses	337,385	339,201	(9,767,998)
Accounts payable and accrued liabilities	(22,080)	(194,599)	31,727,104
Due from affiliates and other assets	(841,667)	97,005	(969,430)
	(3,281,726)	(3,399,702)	(56,969,468)
Investing activities			
Acquisition of Aluminpro	-	-	(576,684)
Additions to property, plant and equipment	-	-	(12,861,283)
Additions to construction-in-progress	-	-	(237,483,899)
Cash flows relating to the deconsolidation and investment in Guinea Alumina (note 5)	(16,500,000)	(5,666,666)	(67,590,621)
Restricted cash	16,452,862	16,503,831	157,604,708
Payments to affiliates	-	-	(71,099)
	(47,138)	10,837,165	(160,978,878)
Financing activities			
Proceeds from issuances of common shares	-	-	240,580,587
Payments for share cancellations	-	(8,398,916)	(13,583,643)
Deferred offering expenses	-	-	(4,827)
Collection of stock subscription receivable	-	-	4,000
Proceeds from affiliates	-	-	196,551
	-	(8,398,916)	227,192,668
Net (decrease) increase in cash and cash equivalents during the year	(3,328,864)	(961,453)	9,244,322
Cash and cash equivalents – Beginning of year	12,573,186	13,534,639	-
Cash and cash equivalents – End of year	9,244,322	12,573,186	9,244,322

The accompanying notes are an integral part of these consolidated financial statements.

Global Alumina Corporation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(expressed in US dollars)

1 Nature of operations

Global Alumina Corporation's ("Global Alumina" or the "Company") business is the development of an alumina refinery (the "Project") 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 Guinea Alumina's 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, "Investment in Guinea Alumina").

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 standards

IFRS convergence

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

The Company commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has completed the scoping and evaluation phases of the project, which consisted of project initiation and awareness, identification and preliminary quantification of differences between Canadian GAAP and IFRS.

A detailed assessment of the impact of adopting IFRS on the Company's consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities is currently in progress. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The financial performance and financial position as disclosed in the Company's GAAP consolidated financial statements may be significantly different when presented in accordance with IFRS upon finalization of management's preliminary estimates of the differences.

Global Alumina Corporation

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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 GAAP. 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. (“Aluminpro”), 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. All references to the joint venture after September 30, 2007 are intended to reflect the Company's equity interest in Guinea Alumina on the basis of a significant influence over its affairs pursuant to the Shareholders' Agreement (see note 5, Investment in Guinea Alumina).

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 investment. Such reduction would be recorded in the consolidated statements of operations.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP 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. The most significant estimates impacting the Company relate to determination of other than temporary impairments, asset impairments, income taxes and accounting for stock-based compensation.

Global Alumina Corporation

Notes to Consolidated Financial Statements

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(expressed in US dollars)

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 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 (loss) 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 anti-dilutive.

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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 process; the future market has been clearly defined; and adequate resources exist, or are expected to be available, to complete the Project.

Property, plant and equipment

Property, plant and equipment are comprised of leasehold improvements and equipment and are recorded at carrying values less amortization. Leasehold improvements are amortized on a straight-line basis over the life of the related lease. The other capital assets were amortized on a straight-line basis over their estimated useful lives, as follows:

Equipment	30%
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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 the CICA 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 graded 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.

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(expressed in US dollars)

4 Property, plant and equipment

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Equipment	267,768	267,768	-
Leasehold improvements	1,196,902	1,036,892	160,010
	<u>1,464,670</u>	<u>1,304,660</u>	<u>160,010</u>
	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Equipment	267,768	267,768	-
Leasehold improvements	1,196,902	834,599	362,303
	<u>1,464,670</u>	<u>1,102,367</u>	<u>362,303</u>

Global Alumina Corporation

Notes to Consolidated Financial Statements

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(expressed in US dollars)

5 Investment in Guinea Alumina

Effective May 17, 2007, Global Alumina, Global Alumina International, Ltd. ("GAI"), and Guinea Alumina Corporation, Ltd. ("Guinea Alumina"), 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. The Company is directing substantially all of its efforts through the Joint Venture. The Company accounts for its investment in the joint venture using the equity method as it has significant influence, rather than joint control, over the Project.

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

	<u>2010</u>	<u>2009</u>	
	100%	One-third	
	\$	interest	
		interest	
		\$	
Cash	5,260,491	1,753,497	829,558
Other current assets	1,075,759	358,586	340,172
Construction-in-progress	616,384,593	205,461,531	194,195,803
Other prepayments	7,000,000	2,333,333	2,333,333
Other property, plant and equipment	4,239,090	1,413,030	1,859,459
Current liabilities	(10,389,681)	(3,463,227)	(5,482,106)
Net assets	<u>623,570,252</u>	<u>207,856,750</u>	<u>194,076,219</u>
Revenues	42,890	14,297	25,961
Costs and expenses	(8,201,297)	(2,733,766)	(3,520,035)
Net loss	<u>(8,158,407)</u>	<u>(2,719,469)</u>	<u>(3,494,074)</u>

In April 2009, the shareholders of Guinea Alumina deemed that title to the Project's mining concession had been transferred from the Company to Guinea Alumina S.A. As such, under terms of a Deed of Acknowledgement and Release dated December 30, 2008, \$11,333,333 representing 15% of the first and second deferred subscription payments, was released from the escrow account and became freely available for general corporate purposes.

Under the terms of the Joint Venture agreement the Company is entitled to receive \$33,333,333 in future payments from the Joint Venture partners on successful completion of project financing.

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Movements in restricted cash balances are detailed below:

	Interest earned \$	Joint venture capital contributions \$	Escrow deposits \$	Escrow withdrawals \$	Restricted escrow account balance \$
As at January 1, 2009					67,594,452
Activity in 2009 – Interest	496,169	-	-	-	496,169
Activity in 2009 – (contributions) receipts and (withdrawals)	-	(39,000,000)	33,333,333	(11,333,333)	<u>(17,000,000)</u>
As at December 31, 2009					51,090,621
Activity in 2010 – Interest	47,138	-	-	-	47,138
Activity in 2010 – (contributions) receipts and (withdrawals)	-	(16,500,000)	-	-	<u>(16,500,000)</u>
As at December 31, 2010					<u>34,637,759</u>

During 2010, the Company determined that no factors had occurred to cause an other than temporary decline in the investment balance.

During 2009, the Company evaluated whether its investment in Guinea Alumina had suffered an other than temporary decline in its value. To determine the fair value of its investment, the Company used Level 3 assumptions to develop a discounted cash flow model, by estimating the Company's pro rata cash flow projections to be generated from its investment in Guinea Alumina. This assessment required the Company to make significant assumptions that included estimated market demand and selling prices for Guinea Alumina's products, future estimated foreign-exchange prices, as well as projected capital and operating cost estimates. The Company's management considered the following to be the most significant assumptions included in the fair value estimate: (i) weighted average cost of capital ("WACC") used to discount future cash flows, (ii) metals prices underlying projected cash flows and (iii) capital expenditures included in projected cash flows. The fair value estimate was considered to be highly sensitive to changes in these assumptions as illustrated below.

WACC – An increase of approximately one-half of a percent would result in a decrease in fair value of the investment of \$156 million.

Metal prices – A decrease of 5 percent in metal prices would result in a decrease in fair value of the investment of \$228 million.

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Capital expenditures – An increase in capital expenditures of 5 percent would result in a decrease in fair value of the investment of \$70 million.

There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods.

6 Capital stock and other equity

a) Share capital

Common shares, no par value, authorized unlimited number of shares, issued and outstanding 183,331,495 shares as at December 31, 2010 and 2009.

	Number of common shares	Amount \$	Total \$
Balance – January 1, 2009	198,028,144	231,438,774	231,438,774
Share repurchases	(14,696,649)	(17,177,994)	(17,177,994)
Balance – December 31, 2009, 2010	<u>183,331,495</u>	<u>214,260,780</u>	<u>214,260,780</u>

b) During the year ended December 31, 2009, the Company cancelled 14,696,649 common shares. The total cost of the shares cancelled during the period amounted to \$17,177,994, and was allocated to share capital in an amount equal to the assigned value of the shares. The excess of the assigned value over cost was credited to contributed surplus. No common shares were cancelled in 2010.

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 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 2010, a total of 1,287,000 (2009 – 1,662,500) options were granted and 1,422,500 (2009 – 985,000) options expired or were forfeited.

Global Alumina Corporation

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(expressed in US dollars)

Stock-based compensation

The Company accounts for stock options granted under its 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, 2010 was estimated to be \$627,892 (2009 - \$400,773). Expenses totalling \$718,359 and \$1,050,877 have been recognized for the years ended December 31, 2010 and 2009, respectively. No stock options have been exercised as of December 31, 2010 and the unvested, unamortized fair value of stock options granted amounts to \$715,855 (2009 - \$806,322).

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded 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 2010 and 2009 were as follows:

	2010	2009
Risk-free interest rate	2.8%	2.4%
Dividend yield	n/a	n/a
Volatility factor	78%	72%
Expected life	5 years	5 years

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

	Number of stock options	Weighted average exercise price \$
Outstanding – December 31, 2008	9,260,000	1.01
Granted	1,662,500	0.42
Expired	<u>(985,000)</u>	1.50
Outstanding – December 31, 2009	9,937,500	0.86
Granted	1,287,000	0.85
Expired or forfeited	<u>(1,422,500)</u>	1.89
Outstanding – December 31, 2010	<u>9,802,000</u>	<u>0.71</u>
Exercisable – December 31, 2010	<u>5,710,833</u>	<u>0.75</u>

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	2010			2010		
	Options outstanding			Options exercisable		
Range of exercise prices \$	Number outstanding as at December 31, 2010	Weighted average remaining contractual life	Weighted average exercise price \$	Number outstanding as at December 31, 2010	Weighted average remaining contractual life	Weighted average exercise price \$
1.75	45,000	0.2 years	1.75	45,000	0.2 years	1.75
1.00	1,680,000	0.9 years	1.00	1,680,000	0.9 years	1.00
1.42	1,335,000	2.2 years	1.42	890,000	2.2 years	1.42
0.41	3,832,500	3.0 years	0.41	2,555,000	3.0 years	0.41
0.42	1,622,500	3.7 years	0.42	540,833	3.7 years	0.42
0.85	1,287,000	4.6 years	0.85	-	-	-
	<u>9,802,000</u>		<u>0.71</u>			
	2009			2009		
	Options outstanding			Options exercisable		
Range of exercise prices \$	Number outstanding as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price \$	Number outstanding as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price \$
2.50	750,000	0.2 years	2.50	750,000	0.2 years	2.50
1.40	482,500	0.6 years	1.40	482,500	0.6 years	1.40
1.75	45,000	1.2 years	1.75	45,000	1.2 years	1.75
1.00	1,730,000	1.9 years	1.00	1,730,000	1.9 years	1.00
1.42	1,360,000	3.2 years	1.42	453,333	3.2 years	1.42
0.41	3,907,500	4.0 years	0.41	1,302,500	4.0 years	0.41
0.42	1,662,500	4.7 years	0.42	-	-	-
	<u>9,937,500</u>		<u>0.86</u>			

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Contributed surplus

	2010	2009
	\$	\$
Balance – Beginning of year	17,220,484	8,381,033
Stock compensation expense	718,359	1,050,877
Repurchase of common shares below paid-up capital	-	7,788,574
	<u>17,938,843</u>	<u>17,220,484</u>

7 Income taxes

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

	2010	2009
	\$	\$
Loss for the year	<u>(6,395,485)</u>	<u>(8,406,749)</u>
Income tax recovery at combined Canadian federal and provincial statutory rates of 29.5% (2009 – 31.5%)	(1,886,668)	(2,648,126)
Current year losses not recognized	951,814	1,222,926
Change in rates	89,370	459,910
Permanent differences	211,916	331,026
Other	250,568	(71,736)
Increase in valuation allowance	<u>383,000</u>	<u>706,000</u>
Provision for (recovery of) income taxes	<u>-</u>	<u>-</u>

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

	2010	2009
	\$	\$
Non-capital losses carried forward	4,655,000	4,272,000
Reorganization and other costs	<u>58,000</u>	<u>58,000</u>
Net future income tax asset	4,713,000	4,330,000
Valuation allowance	<u>(4,713,000)</u>	<u>(4,330,000)</u>
Net future income tax asset recorded	<u>-</u>	<u>-</u>

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As at December 31, 2010, the Company has Canadian non-capital losses that expire as follows:

Year of expiry	\$
2014	1,101,095
2015	4,465,577
2026	2,245,817
2027	4,481,549
2028	1,782,526
2029	3,402,832
2030	2,761,480

8 Income (loss) per share

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

	2010 \$	2009 \$
Net loss for the year	(6,395,485)	(8,406,749)
Weighted average number of common shares - basic	183,300,000	195,700,000
Weighted average number of common shares - diluted	187,300,000	201,300,000
Net loss per common share - basic	(0.03)	(0.04)
Net loss per common share - diluted	(0.03)	(0.04)

9 Commitments

The Company has an operating lease arrangement for its leased premises. For the year ended December 31, 2010, the total cost under this operating lease was \$734,116 (2009 - \$760,492). The Company's commitments for the operating lease for the next five years are as follows:

	\$
2011	563,409
2012	-
2013	-
2014	-
2015	-
Total	<u>563,409</u>

The commitment amounts have not been reduced by the sublease income earned by the Company, as disclosed in note 13, Related party transactions.

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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.

10 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 situated in Guinea.

11 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.

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity). The fair values of accounts receivable, accounts payable and accrued liabilities approximate carrying values because of the short term nature of these instruments. The fair value of cash equivalents are classified within Level 1.

Risk management disclosures

The Company is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks, to which the Company is exposed, are described below.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

Management believes that its existing cash resources and future instalments receivable from the Joint Venture partners will be adequate to support these financial liabilities as well as the current accounts payable of \$667,279 (2009 - \$689,359) as at December 31, 2010.

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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. As at December 31, 2010, assets, consisting principally of cash denominated in Canadian dollars, totalled \$45,966 (2009 - \$5,323). The Company does not enter into arrangements to hedge its foreign currency risk.

Interest rate exposure

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

Derivative financial instruments

The Company does not have any exposure to derivative financial instruments.

12 Capital risk management

The Company manages its capital to ensure that there are adequate capital resources for the purpose of meeting its obligations under the Joint Venture. The capital structure of the Company consists of capital stock. The basis for the Company's capital structure is dependent on the Company's share of the expected commitments with respect to the construction of the alumina refinery Project.

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13 Related party transactions

During the year ended December 31, 2010, 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 provided for Mr. Karjian's professional services regarding Project development activities. The Company and Karalco agreed that the Karalco Agreement was retroactively effective from January 1, 2006. Under the Karalco Agreement, Karalco was entitled to a \$60,000 monthly retainer and reimbursement of certain expenses stipulated thereunder. Bonuses were allowable under the Karalco Agreement based on the status of the Project and the level of activity required of Karalco on behalf of the Company. Karalco was also eligible to participate in the Company's stock option plan. On December 18, 2009, the Company and Karalco agreed to terminate with effect on December 31, 2009 the Karalco Agreement and to release each party of any further liability thereunder upon the coincident termination payment of \$1,440,000, the minimum termination payment under the Karalco Agreement. Total monthly retainer payments for the year ended December 31, 2009 were \$720,000, of which \$360,000 was reimbursed by Guinea Alumina. The Company and Guinea Alumina agreed to terminate as of June 30, 2009 all obligations of Guinea Alumina to reimburse the Company for payments made under the Karalco Agreement. On December 22, 2009, Guinea Alumina reimbursed the Company \$720,000 representing 50% of the termination payment paid by the Company to Karalco. In addition, the Company paid to Karalco in 2009 an annual bonus of \$15,000. From February 1, 2006 through December 31, 2009, Karalco was reimbursed an amount for partial office expenses. The cost of such office expenses for the year ended December 31, 2009 was approximately \$61,500.

The Company subsequently entered into separate agreements effective January 1, 2010 with Karim Karjian for the provision of executive services (the "Karjian Agreement") and BusinessCom Europe Limited, a United Kingdom company controlled by Karim Karjian, for the use of office space and provision of secretarial and administrative support services located in London (the "BusinessCom Agreement"). Compensation under the Karjian Agreement is €27,000 per month for services plus €1,850 per month in consideration of office space used in Paris. Compensation under the BusinessCom Agreement is £12,000 per month. The costs under the Karjian Agreement and the BusinessCom Agreement for the year ended December 31, 2010 were approximately \$465,000 and \$226,200, respectively. Both Agreements may be terminated without further compensation by either party upon 30 days' prior notice. Mr. Karjian remains eligible to participate in the Company's stock option plan and to receive other compensation as the Board of Directors and the Company may determine from time to time. In 2010, the Company paid to Mr. Karjian an annual bonus totalling \$15,000.

Per terms of the Shareholders' Agreement (see note 5, Investment in Guinea Alumina), the Company was reimbursed for 2010 \$125,000 (2009 - \$300,000) related to the salary costs of an individual that was billed back to the Joint Venture at cost until May 30, 2010. Effective June 30, 2010, the Company was entitled to receive a secondment fee of approximately \$671,600 from Guinea Alumina. This amount, covering the period May 2007 through June 2010 and recorded as a reduction of general and administrative expenses, represented the incremental difference between the amount previously reimbursed for the secondees' services and market rate. As of July 2010, the secondment fee is settled monthly. For the year ended December 31, 2010, the Company recorded secondment fees totalling \$979,200 (2009 - \$Nil).

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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, amended effective January 1, 2007, Herakles is paid \$250,000 per annum for Mr. Wrobel’s services. Herakles is also eligible to participate under the Company’s stock option plan. In the event that the Company terminates the Herakles Agreement without cause (as defined under the Herakles Agreement), Herakles would be entitled to a minimum payment of \$500,000.

The cost attributable to the Herakles Agreement for the year ended December 31, 2010 totalled approximately \$250,000 (2009 - \$250,000). In addition, the Company paid Herakles an annual bonus in 2010 totalling \$15,000 (2009 – \$15,000).

On April 23, 2010, the Company approved a one year loan to Mr. Wrobel in the amount of \$500,000 on commercial terms (“Wrobel Loan”). Mr. Wrobel has agreed that any amounts that may become due pursuant to the termination provisions of the Herakles Agreement will first be applied against amounts outstanding on the Wrobel Loan.

Mr. Wrobel is also the Chief Executive Officer of Sithe Global Power, LLP (“Sithe Global”). 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, 2010 totalled approximately \$825,000 (2009 – \$843,900).

Mr. Wrobel is a director of All for Africa, a non-profit organization involved in the design and coordination of economically sustainable projects in Africa. All for Africa partners with private sector investments being undertaken in Africa to more effectively use its funds in projects designed to create sustainable economic opportunities. In 2010, the Company made charitable donations totalling \$30,000 to All for Africa (2009 - \$12,000).

On April 23, 2010, the Company approved a one year loan to Michael Cella, Senior Vice President, Chief Financial Officer, Secretary and a director of the Company, in the amount of \$250,000 on commercial terms (“Cella Loan”). Mr. Cella has agreed that any amounts that may become due pursuant to the termination provisions of his employment agreement with the Company will first be applied against amounts outstanding on the Cella Loan.

Bernard Cousineau, Vice-President and director of Aluminpro Aluminium Professionals Inc. (“Aluminpro”), a subsidiary of the Company, received through June 30, 2009 from Aluminpro a \$5,000 monthly fee for his services on behalf of Aluminpro. Effective July 1, 2009, the monthly fee was reduced to \$2,500. Mr. Cousineau continues to receive a fee for his services as a director of the Company.

Aluminpro has provided technological support and engineering consulting in connection with the design, construction and operation of the alumina refinery project pursuant to a services agreement with Guinea Alumina dated May 17, 2007. Fees received by Aluminpro relating to such consulting services for the year ended December 31, 2010 totalled approximately \$Nil (2009 - \$46,000).

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Mr. Abdulla Kalban, a director of the Company, is an employee of DUBAL. DUBAL and the Company are parties to a subscription agreement dated August 10, 2005, 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 the Shareholders' Agreement.

An employee of the Company performs certain services and incurs certain expenses for SEACOM Ltd., a company in which certain of the Company's officers are shareholders. Total expenses charged to SEACOM by the Company for the year ended December 31, 2010 totalled approximately \$81,500 (2009 – \$111,200).

Other than the Wrobel Loan and the Cella Loan, 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 by the related parties.