Global Alumina Corporation

Consolidated Financial Statements
December 31, 2008 and 2007
(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 generally accepted 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 27, 2009

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Global Alumina Corporation

We have audited the consolidated balance sheets of **Global Alumina Corporation** as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive income, retained earnings 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, 2008 and 2007 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

February 27, 2009

Global Alumina Corporation

Consolidated Balance Sheets

As at December 31, 2008 and 2007

(expressed in US dollars)

	2008 $	2007 $
Assets		
Current assets		
Cash and cash equivalents	13,534,639	20,203,943
Restricted cash (note 5)	67,594,452	86,049,033
Prepaid expenses	997,712	1,345,641
Due from affiliates and other assets	132,829	188,106
	82,259,632	107,786,723
Investment in and advances to Guinea Alumina (note 5)	225,236,959	207,617,787
Property, plant and equipment (note 4)	582,793	864,260
	308,079,384	316,268,770
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	883,958	830,040
Deferred dilution gain (note 5)	19,422,022	63,445,269
	20,305,980	64,275,309
Shareholders' Equity		
Capital stock and other equity (note 6)	231,438,774	238,698,836
Contributed surplus	8,381,033	1,963,400
Shares for cancellation (note 6)	(990,504)	-
Retained earnings	48,944,101	11,331,225
	287,773,404	251,993,461
	308,079,384	316,268,770

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 US dollars)

	Years ended December 31, 2008 $	Years ended December 31, 2007 $	Cumulative period from July 31, 1999 (date of incorporation) to December 31, 2008 $
Other income			
Dilution gain (note 5)	44,023,247	88,046,498	132,069,745
Interest	2,354,307	3,513,408	8,532,241
Other	257,686	160,108	1,613,024
	46,635,240	91,720,014	142,215,010
Expenses			
Engineering	-	-	15,041,729
Professional fees	1,797,015	4,955,631	30,655,236
General and administrative	4,285,274	10,186,036	38,944,214
Amortization	281,467	1,456,417	6,073,867
	6,363,756	16,598,084	90,715,046
Share of net income (loss) in Guinea Alumina (note 5)	(2,658,608)	1,006,018	(1,652,590)
Net income and comprehensive income for the period	37,612,876	76,127,948	49,847,374
Basic income per share (note 8)	0.18	0.37	0.06
Diluted income per share (note 8)	0.18	0.37	0.06

Global Alumina Corporation

Consolidated Statements of Retained Earnings

For the years ended December 31, 2008 and 2007

(expressed in US dollars)

	2008 $	2007 $
Balance - Beginning of year		
As previously reported	11,331,225	(63,911,346)
Effects of adoption of new accounting standard	-	(885,377)
As restated	11,331,225	(64,796,723)
Net income and comprehensive income for the year	37,612,876	76,127,948
Balance - End of year	48,944,101	11,331,225

Global Alumina Corporation

Consolidated Statements of Cash Flows

(expressed in US dollars)

	Years ended December 31, 2008 $	Years ended December 31, 2007 $	Cumulative period from July 31, 1999 (date of incorporation) to December 31, 2008 $
Cash provided by (used in)			
Operating activities			
Net income for the year	37,612,876	76,127,948	49,847,375
Stock options/common stock issued for services (note 6)	671,046	485,514	2,934,444
Dilution gain (note 5)	(44,023,247)	(88,046,498)	(132,069,745)
Amortization	281,467	1,456,417	6,073,867
Share of net (income) loss in equity investment	2,658,608	(1,006,018)	1,652,590
	(2,799,250)	(10,982,637)	(71,561,469)
Changes in non-cash items relating to operating activities			
Prepaid expenses	347,929	1,787,470	(9,559,207)
Accounts payable and accrued liabilities	48,916	5,717,764	31,942,781
Effects of adoption of new accounting standard	-	(885,377)	(885,377)
Due from affiliates and other assets	55,277	132,826	(224,768)
	(2,347,128)	(4,229,954)	(50,288,040)
Investing activities			
Acquisition of Aluminpro	-	-	(576,684)
Additions to property, plant and equipment	-	(114,908)	(12,861,283)
Additions to construction-in-progress	-	(45,188,035)	(237,483,899)
Cash flows relating to the deconsolidation and investment in Guinea Alumina (note 5)	(20,277,780)	167,096,292	146,818,512
Restricted cash	18,454,581	(86,049,033)	(67,594,452)
Payments to affiliates	-	-	(71,099)
	(1,823,199)	35,744,316	(171,768,905)
Financing activities			
Proceeds from issuances of common shares	2,685,750	105,100	240,580,587
Payments for share cancellations	(5,184,727)	-	(5,184,727)
Deferred offering expenses	-	-	(4,827)
Collection of stock subscription receivable	-	-	4,000
Loan payable	-	(22,310,140)	-
Proceeds from affiliates	-	-	196,551
	(2,498,977)	(22,205,040)	235,591,584
Net increase (decrease) in cash and cash equivalents during the year	(6,669,304)	9,309,322	13,534,639
Cash and cash equivalents – Beginning of year	20,203,943	10,894,621	-
Cash and cash equivalents – End of year	13,534,639	20,203,943	13,534,639

(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 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, "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

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007:

- Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

- Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

- Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of these standards, have been included in note 11, "Financial instruments".

(expressed in US dollars)

Future accounting standard effective January 1, 2009

In February 2008, the CICA issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets" as well as CICA Handbook Section 3450, "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As this standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the Company will adopt this new standard effective January 1, 2009. Implementation of this new standard is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

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 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 commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise and has prepared a preliminary comparison of financial statement areas that will be impacted by the conversion.

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 has not been completed. 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 Company has not completed its quantification of the effects of adopting IFRS. 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.

(expressed in US dollars)

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 equity interest in Guinea Alumina on the basis of a 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 investment. Such reduction would be recorded in the consolidated statements 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 year. Actual results could differ from those estimates.

(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 US dollars (the reporting currency).

The financial statements of the Company's fully integrated subsidiaries are translated into US dollars using the temporal method. Monetary items are translated into US 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 US dollars at the rates of exchange prevailing when the underlying transactions occurred. Foreign exchanges gains or losses on translation are recognized in the consolidated statements of operations.

Foreign currency transactions and balances

The US 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 per share is computed by dividing income for the year by the weighted number of common shares outstanding during the year. Diluted income per share is computed using the treasury stock method whereby the weighted average number of common shares used in the basic income 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.

(expressed in US dollars)

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. As at December 31, 2008, the Company has determined that it did not meet all of these criteria. Accordingly, all development costs incurred during 2008 were expensed and classified within the income statement as “Professional fees”.

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 are amortized on a straight-line basis over their estimated useful lives, as follows:

Equipment	30%

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in accordance with CICA 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.

(expressed in US dollars)

4 Property, plant and equipment

			2008
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Equipment	267,768	249,572	18,196
Leasehold improvements	1,196,902	632,305	564,597
	1,464,670	881,877	582,793

			2007
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Equipment	267,768	170,398	97,370
Leasehold improvements	1,196,902	430,012	766,890
	1,464,670	600,410	864,260

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. The Company is directing substantially all of its efforts through the Joint Venture.

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 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 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.

(expressed in US dollars)

The impact of the foregoing matters on the Company's consolidated financial statements is summarized chronologically as follows.

- For the period from January 1, 2007 to May 16, 2007, the Company's consolidated financial statements reflected Guinea Alumina on a fully consolidated basis.

- For the period from May 17, 2007 to September 30, 2007, the proportionate consolidation method used by the Company resulted in the Company recognizing: (a) in its balance sheets, the Joint Venture's assets that it controlled and the Joint Venture's liabilities that it incurred; and (b) in its statement of operations, its share of income earned and expenses incurred by the Joint Venture. The above items were presented on a line-by-line basis.

- Commencing October 1, 2007, the equity method of accounting used by the Company 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 statements of operations, its share of the net income earned by the Joint Venture. The above items are presented as single lines on the consolidated balance sheets and the consolidated statements of operations.

Supplementary information with respect to the Company's one-third interest in Guinea Alumina is presented below, as the Company considers such information to be meaningful to the Company's overall consolidated financial statements.

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

	2008 **$**	**2007** **$**
Cash	5,237,740	10,723,656
Other current assets	885,522	1,919,899
Construction-in-progress	171,798,423	95,055,470
Other property, plant and equipment	1,451,872	2,313,529
Current liabilities	(20,803,267)	(2,848,625)
Net assets	158,570,290	107,163,929
Revenues	235,189	103,518
Costs and expenses	(2,893,797)	(867,704)
Net loss	(2,658,608)	(764,186)

The Company's investment in Guinea Alumina at December 31, 2008 totals $225,236,959 (2007 - $207,617,787) and is comprised of proceeds receivable in future instalments amounting to $66,666,667 (2007 - $108,888,887) and net investment of $158,570,292 (2007 - $98,728,900). The Company has recognized a dilution gain of $44,023,247 reflecting the first instalment of the deferred subscription proceeds received in October and the second instalment of the deferred subscription proceeds of $33,333,333 approved for payment prior to the year end and received by the Company in January 2009 (note 14).

(expressed in US dollars)

Movements in restricted cash balances are detailed below:

	Interest earned $	**Joint venture capital contributions** $	**Escrow deposits** $	**Restricted escrow account balance** $
As at May 17, 2007	-	-	-	101,759,449
Subsequent 2007 activity	2,843,584	(18,554,000)	-	(15,710,416)
As at December 31, 2007				86,049,033
Activity during the year	1,823,199	(62,500,000)	42,222,220	(18,454,581)
As at December 31, 2008				67,594,452

6 Capital stock and other equity

a) Share capital

Common shares, no par value, authorized unlimited number of shares, issued and outstanding 198,028,144 and 203,857,644 shares as at December 31, 2008 and 2007, respectively.

	Number of common shares	**Amount** $	**Number of warrants**	**Amount** $	**Total** $
Balance – January 1, 2007	203,752,544	238,593,736	2,790,850	-	238,593,736
Warrants exercised	105,100	105,100	(105,100)	-	105,100
Balance – December 31, 2007	203,857,644	238,698,836	2,685,750	-	238,698,836
Warrants exercised	2,685,750	2,685,750	(2,685,750)	-	2,685,750
Shares repurchased	(8,515,250)	(9,945,812)	-	-	(9,945,812)
Balance – December 31, 2008	198,028,144	231,438,774	-	-	231,438,774

During November and December 2008, the Company repurchased 10,904,207 common shares through a normal course issuer bid conducted through the facilities of the Toronto Stock Exchange for $5,189,729. The cost of the shares was less than the assigned value of shares repurchased. Of the total shares repurchased, 8,515,250 shares, with an assigned value of $9,945,812, were cancelled by year end. The remaining 2,388,957 shares, with an associated cost of $990,504, were cancelled subsequent to year end. At December 31, 2008, these repurchased shares are carried at cost and shown as a deduction from shareholders’ equity.

(expressed in US dollars)

b) During the year ended December 31, 2008, a total of 2,685,750 (2007 - 105,100) warrants were exercised for proceeds of $2,685,750 (2007 - $105,100).

As at December 31, 2008, there were no share purchase warrants outstanding.

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 2008, a total of 5,257,500 options, (net of forfeitures), were granted. During 2007, no awards were granted.

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, 2008 was estimated to be $1,880,978 (2007 - $nil). Expenses in the amount of $671,046 and $485,514 have been recognized for the years ended December 31, 2008 and 2007, respectively. No stock options have been exercised as of December 31, 2008 and the unvested, unamortized fair value of stock options granted amounts to $1,456,427 (2007 - $246,494).

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 the year ended December 31, 2008 were as follows:

Risk-free interest rate	3.38% - 3.60%
Dividend yield	n/a
Volatility factor	61% - 65%
Expected life	5 years

(expressed in US dollars)

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

	Number of stock options	Weighted average exercise price $
Outstanding – January 1, 2007	4,362,500	1.44
Forfeited	(360,000)	1.19
Outstanding – December 31, 2007	4,002,500	1.46
Forfeited	(10,000)	1.00
Granted	5,267,500	0.67
Outstanding – December 31, 2008	4,002,500	1.01
Exercisable – December 31, 2008	3,400,833	1.54

(expressed in US dollars)

	2008			2008		
	Options outstanding			Options exercisable		
Range of exercise prices $	Number outstanding as at December 31, 2008	Weighted average remaining contractual life	Weighted average exercise price $	Number outstanding as at December 31, 2008	Weighted average remaining contractual life	Weighted average exercise price $
1.50	960,000	0.4 years	1.50	960,000	0.4 years	1.50
1.52	25,000	0.7 years	1.52	25,000	0.7 years	1.52
2.50	750,000	1.2 years	2.50	750,000	1.2 years	2.50
1.40	482,500	1.6 years	1.40	482,500	1.6 years	1.40
1.75	45,000	2.2 years	1.75	30,000	2.2 years	1.75
1.00	1,730,000	2.9 years	1.00	1,153,333	2.9 years	1.00
1.42	1,360,000	4.2 years	1.42	-	-	-
0.41	3,907,500	5.0 years	1.41	-	-	-
	9,260,000		1.01			

	2007			2007		
	Options outstanding			Options exercisable		
Range of exercise prices $	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
	4,002,500		1.46			

Contributed surplus

	2008 $	2007 $
Balance – Beginning of year	1,963,400	1,477,886
Stock compensation expense	671,046	485,514
Repurchase of common shares below paid-up capital	5,746,587	-
	8,381,033	1,963,400

(expressed in US dollars)

7 Income taxes

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

	2008 $	2007 $
Income for the year	37,612,876	76,127,948
Income tax provision at combined Canadian federal and provincial statutory rates	12,224,185	26,736,135
Current year losses not recognized	1,131,682	4,177,183
Permanent differences	(14,081,465)	(30,751,418)
Decrease (increase) in valuation allowance	725,598	(161,900)
Provision for income taxes	-	-

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

	2008 $	2007 $
Non-capital losses carried forward	3,756,000	3,301,000
Reorganization and other costs	309,000	305,000
Foreign currency gains	(2,471,000)	-
Equity investment	-	(1,568,000)
Net future income tax asset	1,594,000	2,038,000
Valuation allowance	(1,594,000)	(2,038,000)
Net future income tax asset recorded	-	-

As at December 31, 2008, the Company has Canadian non-capital losses that expire as follows:

Year of expiry	$
2014	893,000
2015	3,623,000
2026	1,822,000
2027	3,636,000
2028	3,687,000

(expressed in US dollars)

8 Income per share

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

	2008	**2007**
Net income for the year	$37,612,876	$76,127,948
Weighted average number of common shares - basic	205,600,000	203,785,000
Weighted average number of common shares - diluted	209,900,000	207,101,000
Income per common share - basic	$0.18	$0.37
Income per common share - diluted	$0.18	$0.37

9 Commitments

The Company has an operating lease arrangement for its leased premises. For the year ended December 31, 2008, the total cost under this operating lease was $686,947 (2007 - $692,351). The Company's commitments for the operating lease for the next five years are as follows:

	$
2009	702,045
2010	702,045
2011	526,534
2012	-
2013	-
Total	1,930,624

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

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.

(expressed in US dollars)

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.

Risk management disclosure

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, and maintaining credit facilities 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 Joint Venture partners will be adequate to support these financial liabilities as well as the current accounts payable of $883,958 as at December 31, 2008.

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, 2008, assets, consisting principally of cash denominated Canadian dollars, totalled $2,501 (2007 - $10,902). 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 fluctuation.

Derivative financial instruments

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

(expressed in US dollars)

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.

13 Related party transactions

During the year ended December 31, 2008, the Company had the following related party transactions:

Due to its rights under the DUBAL Subscription Agreement, DUBAL was treated as a related party of the Company under applicable securities law in connection with the joint venture transaction. In the second quarter of 2008, DUBAL and the Company agreed to share the cost of a study by independent consultants. The Company paid the entire cost. DUBAL was billed and subsequently paid 50% ($33,650) of the total cost of the work.

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"), one of its shareholders. Karim Karjian is the chief executive officer of Karalco and is a co-founder of the Company, serves on its Board as Co-Chairman and is a shareholder of the Company. The Karalco Agreement provides for 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 would be entitled to a minimum payment of $1,440,000. 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 and reimbursement of certain overhead expenses, for the year ended December 31, 2008 totalled $783,600 (2007 - $750,500), of which $720,000 (2007 – $447,100) was reimbursed by the Joint Venture. In addition, the Company paid to Mr. Karjian in 2008 an annual bonus of $15,000 (2007- a $300,000 bonus in connection with negotiation of the Joint Venture).

Per terms of the Shareholders' Agreement (see note 5), the Company charged the Joint Venture in 2008 $345,000 (2007 - $217,100) related to the salary costs of certain individuals that are billed back at cost.

(expressed in US dollars)

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 would be entitled to a minimum payment of $500,000.

The cost attributable to the Herakles Agreement for the year ended December 31, 2008 totalled approximately $250,000 (2007 - $250,000). In addition, the Company paid Herakles an annual bonus in 2008 totalling $15,000 (2007 – a $300,000 bonus in connection with negotiation of the Joint Venture).

Mr. 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, 2008 was approximately $nil (2007 - $47,400). 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 30, 2007. For the year ended December 31, 2008, the total costs were $nil (2007 - $75,000). Additionally, the Company provided, at cost, professional services to Sithe Global. The total charge for the year ended December 31, 2008 was approximately $nil (2007 - $3,800).

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, 2008 totalled approximately $771,300 (2007 – $715,400).

Mr. Wrobel is a director of All for Africa, a non-profit organization involved in the design and co-ordination 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 2008, the Company made charitable donations totalling $25,000 to All for Africa (2007 - $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 services as Senior Operations Advisor and director of the Company as well as Vice-President and director of Aluminpro. Mr. Cousineau's consulting agreement provided 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. The agreement expired on June 30, 2008. Mr. Cousineau continues to receive a fee for his services as a director of the Company.

(expressed in US dollars)

As of June 1, 2007, the Company also amended its consulting agreements with each of Ian Porteus, the Senior Techncal Advisor to the Company and Vice-President and director of Aluminpro and Brian Gallagher, the Business Manager, Secretary and Treasurer of Alumnpro. Mr. Porteus's consulting agreement provided 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 provided a monthly retainer of $8,663 paid by Aluminpro and an annual incentive payment of 5% of the profits realized by Aluminpro. Both agreements expired on June 30, 2008.

Aluminpro provides 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, 2008 totalled approximately $48,900 (2007 - $221,000).

Mr. Ahmed Fikree, a director of the Company, is the Director, Commercial and Corporate Development, 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).

A former employee who left the Company during 2007 performed certain services and incurred certain expenses for Herakles Telecom, a company in which certain of the Company's officers are shareholders. In 2008, approximately $nil was billed at cost to and subsequently reimbursed by Herakles Telecom (2007 - $98,700).

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.

14 Subsequent events

During January 2009, the Company received the second deferred subscription proceeds totalling $33,333,333 (note 5).