

LA MANCHA RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008 AND 2007
AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

AUDITORS' REPORT

To the Shareholders of La Mancha Resources Inc.

We have audited the consolidated balance sheets of La Mancha Resources Inc. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income (loss), changes in Shareholders' Equity 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 consolidated 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.

*Deloitte & Touche LLP*¹

Montreal, Canada

March 18, 2009

1. Chartered accountant auditor permit no 18190

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31,

Amounts in thousands of Canadian dollars unless otherwise stated

ASSETS	NOTE	2008	2007
Current assets			
Cash and cash equivalents	6	8,576	13,062
Short-term investments	7	3,628	–
Accounts receivable	8	11,545	7,414
Inventories	9	39,072	30,313
Income taxes recoverable		88	–
Future income tax asset	16(a)	1,059	605
Other current assets	10	558	386
		64,526	51,780
Long-term assets			
Restricted cash	11	1,026	1,162
Property, plant and equipment	12	65,118	54,412
Future income tax asset	16(a)	12,134	9,602
Investments and other assets	13	8,235	14,623
		86,513	79,799
Total assets		151,039	131,579

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

Signed on behalf of the Board:

“Michel Cuihé”

“Johanne Duchesne”

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31,

Amounts in thousands of Canadian dollars unless otherwise stated

LIABILITIES	NOTE	2008	2007
Current liabilities			
Bank indebtedness		3	119
Accounts payable and accrued liabilities	14	14,567	9,784
Income taxes payable		3,179	1,847
Mortgage payable	24	–	7,369
Other current liabilities	15	2,521	–
Current portion of capital lease obligations	18	847	311
Provisions for other liabilities and charges	19	414	–
Pension and other post-service benefit obligations	20	608	236
		22,139	19,666
Long-term liabilities			
Future income tax liability	16(a)	1,915	2,317
Long-term debt	17	13,253	–
Capital lease obligations	18	1,514	921
Provisions for other liabilities and charges	19	3,529	2,407
Pension and other post-service benefit obligations	20	1,912	1,589
		22,123	7,234
Total liabilities		44,262	26,900
Shareholders' Equity			
Common stock	22(a)	41,379	41,368
Options and warrants	22(b)(c)	95	330
Contributed surplus		44,139	43,838
Retained earnings		16,181	21,417
Accumulated other comprehensive income (loss)		4,983	(2,274)
Total shareholders' equity		106,777	104,679
Total liabilities and shareholders' equity		151,039	131,579

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in thousands of Canadian dollars unless otherwise stated

	COMMON SHARES (NUMBER OF)	COMMON SHARES	OPTIONS AND WARRANTS	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		TOTAL
						CUMULATED TRANSLATION ADJUSTMENT	ASSETS AVAILABLE FOR SALE	
Balance on January 1, 2007	141,693,350	41,052	372	43,788	32,223	2,548	(226)	119,757
Net loss for the year	—				(10,806)			(10,806)
Change in cumulative translation adjustments	—					(5,850)		(5,850)
Change in unrealized gains and losses on available-for-sale investments	—						1,254	1,254
Issuance of shares in connection with mining properties (Note 12)	4,500	3						3
Exercise of options	310,000	313	(16)					297
Forfeiture of options	—		(50)	50				—
Stock-based compensation	—		24					24
Balance on December 31, 2007	142,007,850	41,368	330	43,838	21,417	(3,302)	1,028	104,679
Change in accounting policy – inventories (Note 3)					172			172
Adjusted balance on January 1, 2008	142,007,850	41,368	330	43,838	21,589	(3,302)	1,028	104,851
Net loss for the year					(5,408)			(5,408)
Change in cumulative translation adjustments						9,876		9,876
Change in unrealized gains and losses on available-for-sale investments							(2,619)	(2,619)
Issuance of shares in connection with mining properties (Note 12)	27,000	11						11
Forfeiture of options and warrants			(301)	301				—
Stock-based compensation			66					66
Balance on December 31, 2008	142,034,850	41,379	95	44,139	16,181	6,574	(1,591)	106,777
Total of retained earnings and accumulated other comprehensive income							21,164	
						AS AT DECEMBER 31, 2008	AS AT DECEMBER 31, 2007	
Accumulated other comprehensive income (loss)								
– Change in cumulative translation adjustments						6,574	(3,302)	
– Change in unrealized gains and losses on available-for-sale investments, net of income taxes of \$682 (2007: \$(440))						(1,591)	1,028	
Balance at end of period						4,983	(2,274)	

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

Amounts in thousands of Canadian dollars unless otherwise stated

	2008	2007
Net (loss)	(5,408)	(10,806)
Other comprehensive income (loss)		
– Change in cumulative translation adjustments	9,876	(5,850)
– Change in unrealized gains and losses on available for sale investments, net of income taxes of \$1,122 (2007: \$(564)).	(2,619)	1,316
– Reclassification of other than temporary impairment to the income statement, net of income taxes of \$28	–	(62)
Comprehensive income (loss)	1,849	(15,402)

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

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

Amounts in thousands of Canadian dollars except number of shares and per share amounts

	NOTE	2008	2007
Revenue	29	53,639	48,456
Cost of sales		(36,048)	(36,888)
Gross margin		17,591	11,568
Operating expenses			
Exploration and evaluation expenses		(6,568)	(7,519)
General and administrative expenses		(10,068)	(9,121)
Other operating expenses		(1,290)	(3,473)
Joint venture management fee recoveries		292	343
Total operating expenses		(17,634)	(19,770)
Mine operating loss	29	(43)	(8,202)
Other income (expenses)			
Interest income (expense)	21/29	(199)	1,061
Loss on mortgage payable	24	(1,089)	(761)
Loss on investments	24	(3,057)	(1,935)
Foreign exchange gain (loss)		111	(95)
Other income		7	67
		(4,227)	(1,663)
Loss before income tax expense and non-controlling interest		(4,270)	(9,865)
Income tax expense	16(b)/29	(1,138)	(302)
Non-controlling interests		–	(639)
Net loss for the year	29	(5,408)	(10,806)
Weighted average number of common shares outstanding			
Basic	23	142,020,351	141,935,014
Diluted	23	142,020,351	141,935,014
Loss per share			
Basic		(0.038)	(0.076)
Diluted		(0.038)	(0.076)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007
Amounts in thousands of Canadian dollars unless otherwise stated

	NOTE	2008	2007
Cash flows from operating activities			
Net loss for the period		(5,408)	(10,806)
Non cash items			
Non-controlling interests		–	639
Depreciation and amortization	29	6,923	6,519
Future income tax expense		(2,379)	(2,268)
Loss on sale of property, plant and equipment		24	938
Net movements in provisions for liabilities & charges		1,741	(320)
Foreign exchange loss		111	59
Loss on mortgage payable	24	1,089	761
Loss on investments	24	3,057	1,935
Stock-based compensation expenses	22(c)	66	24
Changes in working capital			
Inventories		(3,107)	280
Accounts receivable		(2,599)	(2,534)
Prepaid expenses, deposits and other assets		(109)	208
Accounts payable and accrued liabilities		3,044	3,019
Income tax receivable/payable		831	2,032
Net cash generated from (used in) operating activities		3,284	486
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7,952)	(10,075)
Proceeds from sales of property, plant and equipment		–	156
Exploration and evaluation costs capitalized		(11,258)	(10,006)
Cash and cash equivalents of SMI proportionately deconsolidated	5	–	(1,102)
Net change in restricted cash		129	(122)
Acquisition of investments	7	(3,398)	(48)
Acquisition of investments in Asset-Backed Commercial Papers (ABCP)	24	–	(12,000)
Net cash used in investing activities		(22,479)	(33,197)
Cash flows from financing activities			
Proceeds from borrowings		14,041	–
Repayments of capital lease obligations		(424)	(91)
Net change in bank indebtedness		(124)	126
Proceeds from issuance of stock		–	294
Dividends paid to non-controlling interests		–	(1,657)
Net cash provided by (used in) financing activities		13,493	(1,328)
Net decrease in cash and cash equivalents		(5,702)	(34,039)
Cash and cash equivalents at beginning of the period		13,062	47,991
Effect of exchange rate changes on cash		1,216	(890)
Cash and cash equivalents at end of the period		8,576	13,062
Supplemental disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest		467	15
Income tax		2,565	1,848

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts in thousands of Canadian dollars unless otherwise stated
Years ended December 31, 2008 and 2007

1. NATURE OF ACTIVITIES

La Mancha Resources Inc. (the "Company") was incorporated on October 10, 1996 under the Company Act of the Province of British Columbia in Canada. Through its subsidiaries and joint ventures, collectively "the Group", the Company conducts gold mining operations and/or exploration in Argentina, Sudan, the Ivory Coast and Australia.

A portion of the Group activities is directed to the search for and the development of new mineral deposits and the producing of the mining

properties acquired through the Group and significant capital investment will be required to achieve successful commercial production from such properties. In addition significant capital investment may be required in order to maintain or expand the operations of the Group. There is no assurance that the Group will have, or be able to raise, the required funds to engage in these activities and this could have an impact on the recoverability of a portion of the assets which is partly dependent on this assumption.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and reflect the following significant accounting policies. These policies have been consistently applied to all the years presented, unless otherwise stated (see Note 3 for the impact of new accounting pronouncements adopted in 2008).

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies (Note 4).

Certain items in these consolidated financial statements have been reclassified or shown separately to conform to the presentation adopted in the current year.

2.2 BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries and the proportionate share of each of the assets, liabilities, revenues, expenses and cash flows of its joint ventures. Inter-company transactions and related balances are eliminated upon consolidation. The Group's principal subsidiaries and joint ventures and their percentages of ownership interest are summarized as follows:

	PERCENTAGE OF INTEREST %
Compagnie Minière Or S.A., domiciled in France ("Cominor")	100.0
Ariab Mining Company, domiciled in Sudan ("AMC")	40.0 ⁽¹⁾
Société des Mines d'Ity, domiciled in Côte d'Ivoire ("SMI")	45.9 ⁽¹⁾⁽²⁾
La Mancha Resources Australia Pty Ltd, domiciled in Australia ("LMRA")	100.0
Compania Minera Esperanza S.A., domiciled in Argentina ("Esperanza")	100.0
Minera Patagonia S.A., domiciled in Argentina ("Patagonia")	Nil ⁽³⁾

(1) Joint venture interest

(2) As further described in Note 5, on May 25, 2007 the Company's ownership interest in SMI dropped from 51% to 45.9%. Therefore as control interest was lost on that date, this investment in a joint venture was accounted prospectively using the proportionate consolidation method. Amounts for periods or as of dates prior to May 25, 2007 have not been restated.

(3) As further described in Note 15, following the loss of control over the entity, Minera Patagonia S.A. is excluded from the consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine its strategic operating, investing and financing policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company when these subsidiaries constitute businesses as defined under Canadian GAAP. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

(b) Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated statement of operations.

(c) Joint ventures

The Group's interests in jointly controlled entities and operations are accounted for using proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other partners. The Group does not recognize its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.3 FOREIGN CURRENCY TRANSLATION

(a) Reporting currency

Financial information is presented in Canadian dollars for all periods shown, using the exchange rate applicable at the balance sheet date for monetary assets and liabilities, and the average exchange rate of the corresponding periods for the consolidated statements of operations and cash flows. Gains and losses on foreign exchange are recorded in the consolidated statement of operations.

(b) Group companies

The results and financial position of the Group entities that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- (i) Assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses reflected in the consolidated statement of operations are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting translation differences are recognized in other comprehensive income ("OCI").

On consolidation, translation differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in shareholders' equity in OCI. When a foreign operation is sold or there is a reduction in the net investment in the foreign operation, a proportionate share of translation differences that were previously recorded in OCI are recognized in the consolidated statement of operations as part of the gain or loss on sale.

2.4 PROPERTY, PLANT AND EQUIPMENT

Exploration, evaluation, and mine development costs

(a) Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- compiling pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

Exploration and evaluation expenditures in relation to separate areas of interest incurred after the acquisition of mineral rights are capitalized in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- the rights of tenure of the area of interest are current; and
- at least one of the following conditions are also met:
 - the exploration and evaluation expenditures are expected to be recuperated through successful development and exploration of the area of interest, or alternatively, by its sale, or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts in thousands of Canadian dollars unless otherwise stated
Years ended December 31, 2008 and 2007

- the exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

If exploration and valuation expenses are undertaken for an extension at depth or adjacent to the current producing mine, with qualified reserves showing economic viability (positive net present value), these costs could be capitalized. This principle is applicable even if production has been temporarily halted. If exploration and valuation expenses are undertaken for an extension at depth or adjacent to the previously producing mine, these expenses could be capitalized if, and only if, the economic viability is shown and if the decision to initiate production has been confirmed by management in the provisional action plan.

Exploration and evaluation expenditures that do not meet the conditions for capitalization described above are expensed as incurred.

(b) Mine development costs

Where a decision is made to proceed with development, accumulated Exploration and Evaluation expenditures are tested for impairment and transferred to Mine Development costs. These costs are amortized over the life of the reserves using the unit of production method associated with the area of interest once mining operations have commenced.

(c) Stripping costs

Stripping (i.e. overburden and other waste removal) costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine and included in mining development and subsequently amortized over the life of the operation, using the unit of production method. The Group expenses stripping costs incurred subsequently, during the production stage of its operations, unless the stripping activity can be shown to represent betterment to the mineral property in which case they are capitalized and amortized over the reserves that directly benefit from the specific stripping activity. The Group records the stripping in accordance with the EIC-160 "Stripping Costs Incurred in the Production Phase of a Mining Operation".

Other Property, plant and equipment

Other types of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of operations during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate cost to residual values over their estimated useful lives, as follows:

- Software 1 to 3 years
- Buildings 20 to 50 years
- Machinery and equipment 3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of operations.

Work in progress consists primarily of equipment that is not amortized until the assets are available for use at which time they will be amortized over their expected useful life.

2.5 IMPAIRMENT OF LONG-LIVED ASSETS

Impairment tests are performed when there is an indication that the carrying value of property, plant and equipment may not be recoverable. If impairment is required, the asset is written down to its fair value. Such impairments are not subsequently reversed.

Properties at the exploration and evaluation stage are reviewed by management on a property-by-property basis at each financial statement date to determine if they have become impaired. For those properties, the ultimate recoverability of the amounts capitalized is dependent upon the delineation of economically recoverable ore reserves, the ability to obtain the necessary financing to complete their development and the ability to realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Group's investments in various projects are based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

For property, plant and equipment other than exploration and evaluation stage properties, an asset group is the smallest identifiable group of assets and liabilities generating cash inflows which are largely independent of the cash inflows from other assets or groups of assets and liabilities. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of CICA Section 3063, *Impairment of Long-lived Assets*. Future cash flows are based on:

- estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future gold prices; and
- future cash costs of production, capital expenditure, shut-down, restoration and environmental clean-up.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts in thousands of Canadian dollars unless otherwise stated
Years ended December 31, 2008 and 2007

The cash flow forecasts are based on best estimates of expected future revenue and costs. These may include net cash flows expected to be realized from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine. The expected future cash flows of asset groups reflect long-term mine plans which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The plan takes into account all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and the related production costs.

The Group's cash flow forecasts are based on assessments of expected long-term gold prices. These assessments may differ from current price levels and are updated periodically.

Cost levels incorporated in the cash flow forecasts are based on the current long-term mine plan for the asset group. For impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business. Section 3063 includes a number of restrictions on the future cash flows that can be recognized in respect of future restructurings and improvement-related capital expenditure.

The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

2.6 DETERMINATION OF ORE RESERVES

The Group's ore reserves and mineral resources are estimated based on information compiled by the Group's qualified employees. The Group uses the Canadian Institute of Mining, Metallurgy and Petroleum Institute (CIM) standards for reporting of the exploration results, mineral resources and ore reserves. Reserves determined in this way are used in the calculation of depreciation, amortization and impairment charges, and for forecasting the timing of the payment of shut-down, restoration, and clean-up costs.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of gold, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserve values being updated.

2.7 EMBEDDED DERIVATIVE FINANCIAL INSTRUMENTS

Any embedded derivative financial instrument requiring separate accounting identified by the Company is recorded on the balance sheet at fair value and changes in the fair value of such embedded derivative instruments is recognized immediately in the consolidated statement of operations.

In 2007, the Group accounted for its gold ounce denominated mortgage payable using the undiscounted dollar value of the aggregate ounces of gold for future delivery based on the gold price and foreign exchange rate in effect as of each balance sheet date. Changes in the carrying amount were recognized in the consolidated statement of operations under Gain (loss) on mortgage payable.

2.8 INVESTMENTS

Investments in publicly traded equity securities are designated as available-for-sale investments and are classified under Investments and other assets on the Consolidated Balance Sheet. The investments initially are recorded at their fair value on the date of acquisition, plus related transaction costs. Investments in publicly listed securities are adjusted to fair value at each balance sheet date. The corresponding unrealized gains and losses are recorded in OCI and are reclassified to the statement of operations when realized or when management assesses a decline in fair value to be other than temporary.

2.9 INVENTORIES

Raw materials and consumable stores are valued at the lower of purchase price and replacement cost.

Partly processed, such as stockpiles, heaps, ponds and cathodes, and saleable products are valued at the lower of cost of production using the weighted average method, and the net realizable value. For this purpose the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- amortization of exploration and evaluation costs, and depreciation of property, plant and equipment used in the extraction and processing of ore; and
- production overheads, based on normal operating capacity.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realizable value taking into account estimated costs to complete the processing.

The volume of ore in stockpiles is estimated from one reporting period to the next and is subject to periodic measurement. Significant adjustments can result from these periodic measurements.

Finished goods are valued at the lower of cost and net realizable value on a weighted-average cost basis.

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2.10 TRADE RECEIVABLES

Trade receivables are recognized at cost, less any allowance for doubtful accounts. An allowance for doubtful accounts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognized in the consolidated statement of operations.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash consists of cash subject to restrictions that prevent its use for current purposes.

2.12 BORROWINGS

Borrowings are recognized initially at fair value. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of operations over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group is not contractually obliged to settle the liability for at least 12 months after the balance sheet date.

2.13 FUTURE INCOME TAXES

Future income taxes are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in income in the period that includes the date of substantive enactment.

Future income tax assets are recognized to the extent that it is more likely than not that future taxable income will be available against which the temporary differences can be utilized.

Future income taxes are recorded on temporary differences arising from the difference between the accounting basis and the income tax cost basis of investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 EMPLOYEE BENEFITS

(a) Defined benefit plans

The Group records liabilities for its commitments for retirement, early retirement, severance pay, medical insurance, job-related awards, accident and disability insurance, and other related commitments, whether for active personnel or for retired personnel.

Benefit costs for defined benefit plans are estimated using the projected benefit method. Under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If service in subsequent years results in accrued benefit levels that are substantially higher than those of previous years, the Group must allocate the accrued benefits on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and mortality, discounted to present value based on interest rates for long-term bonds from high-quality issuers.

(b) Defined contribution plans

The Group sponsors defined contribution pension plans in Canada, Australia and Ivory Coast. The pension expense for these plans is equal to the Group's contribution.

(c) Bonus plans

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision when it is contractually obliged.

2.15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(a) Assets retirement obligations

Shut-down and site-restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated shut-down and restoration costs are provided for in the period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs. When the provision is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset and subsequently amortized over the life of the asset. Provisions for shut-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. Costs are estimated based on a closure plan. Although the ultimate cost to be incurred is uncertain, the Group estimates their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Movements in the provision for shut-down and site restoration costs which relate to a specific asset, other than the accretion of the discount, are capitalised within property, plant and equipment and then depreciated over the useful lives of the assets to which they relate. The costs include those resulting from new disturbance, updated cost estimates and changes to the estimated lives of operations. Accretion of the discount applied in establishing the net present value of the provisions is charged to the consolidated statement of operations in each period.

For costs that are not related to a specific asset, provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date. These costs are charged to the consolidated statement of operations. Movements in the environmental clean-up provisions are presented as an operating cost.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the consolidated statement of operations.

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(b) Provisions for litigations

Provisions for litigations result of pending or threatened litigation which could translate into possible losses. This accounting treatment recognizes that the likely incurrence of a liability is related to a condition or situation existing at the end of the reporting period and not to the confirming future event.

(c) Other Provisions

Other provisions include provisions for risk which result of an uncertainty in recovering a portion of the value added tax on purchases concerning the Sudanese subsidiary.

2.16 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of gold, and is recognized net of sales tax. Sales revenue is recognized when persuasive evidence of an arrangement exists, upon the transfer of the ownership risks and benefits to the buyer which is generally simultaneous with delivery, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectibility.

2.17 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of operations on a straight-line basis over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are transferred by the lessor to the Group are classified as capital leases. The value of the asset is recorded in the Property, plant and equipment and the counter part of the obligation is recorded as Capital leases obligations. Amortizations of assets recorded are charged to the consolidated statement of operations under cost of sales (see Note 2.4).

2.18 DIVIDENDS

Dividends are recorded as liabilities when declared by the Board of Directors of the Company.

2.19 STOCK-BASED COMPENSATION

The Group records stock-based compensation, including awards of stock options and equity-settled stock appreciation rights, using the fair value based method of accounting. Under this method, stock options and direct awards of stock granted to employees and directors are recorded at fair value on the date of grant and the associated expense is recognized over the vesting period.

2.20 EARNINGS PER SHARE

Basic earnings or loss per share are computed using the weighted average number of common shares outstanding during the periods. Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other

contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants and any unamortized stock-based compensation amounts are used to repurchase common shares at the prevailing market rate.

2.21 PROPERTY OPTION AGREEMENT

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2.22 FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

All financial instruments are classified into one of the following five categories: held-for-trading, held-to maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for-trading financial investments are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, unless if gains and losses are other than temporary in which case they are included in the consolidated statement of operations.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge", when the hedged item is a future cash flow, or a "fair value hedge", when the hedged item is a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income.

For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings.

Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in net earnings.

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The company classified its financial instruments as follows:

Cash and cash equivalents	Held for trading
Short-term investments	Held for trading
Accounts receivable	Loans and receivables
Deposits and advances	Loans and receivables
Restricted cash	Held for trading
Investment in Asset-Backed Commercial Paper	Held for trading
Investments in publicly listed equity securities	Available-for-sale
Bank indebtedness	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities
Mortgage payable	Other financial liabilities
Long-term debt	Other financial liabilities
Capital lease obligations	Other financial liabilities

The Company may periodically use derivative financial instruments, such as forward foreign exchange contracts, gold and energy hedging instruments; to manage risks related to fluctuations in exchange rates and commodity prices. Derivative financial instruments are not used for trading purposes. When the Company utilizes derivatives in hedge accounting relationships, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to

specific firm commitments or anticipated transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting cash flows of hedged items.

When hedging instruments become ineffective before their maturity or the hedging relationship is terminated, deferred gains or losses on such instruments continue to be deferred and charged to earnings in the same period as for the corresponding gains or losses for the hedged items; gains and losses realized subsequently as a result of marking-to-market are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, deferred gains or losses are charged to earnings.

2.23 COMPREHENSIVE INCOME

Comprehensive income, which consists of net earnings and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net earnings calculated in accordance with generally accepted accounting principles and includes unrealized gains and losses on financial assets classified as available for sale, unrealized foreign currency translation gains and losses arising from self-sustaining foreign subsidiaries and changes in the fair value of the effective portion of qualifying cash flow hedging instruments.

3. NEW ACCOUNTING STANDARDS

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

Capital Disclosures

On January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures". This standard establishes guidelines for disclosure of information regarding an entity's capital which will enable users of its financial statements to evaluate an entity's objectives, policies and procedures for managing capital. Note 25 contain the disclosures required by this new Standard.

Financial Instruments – Disclosures

On January 1, 2008, the Company adopted the new CICA Handbook Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, "Financial Instruments – Recognition and Measurement", Section 3863, "Financial Instruments – Presentation", and Section 3865, "Hedges". The additional disclosures required by this new Standard are provided in Note 24.

Financial Instruments – Presentation

On January 1, 2008, the Company adopted the new CICA Handbook Section 3863, "Financial Instruments – Presentation". This section retains unchanged the standards for presentation of financial instruments as either liabilities or equity and the related income and expenses related thereto which were previously contained in Section 3861 "Financial Instruments – Presentation and Disclosure". The adoption of this standard had no effect on the Company's financial statements.

Inventories

On January 1, 2008, the Company adopted the new CICA Handbook Section 3031, "Inventories" which replaces existing Section 3030 with the same title and harmonizes accounting and reporting for inventories under Canadian GAAP with IFRS. This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Upon the adoption of this new standard, total inventories were increased by \$191, and opening retained earnings by \$172 (net of future income taxes of \$19).

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Going concern

On January 1, 2008, the Company adopted the new CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" to include requirements to assess an entity's ability to continue as a going concern and disclose material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this standard had no effect on the Company's financial statements.

FUTURE ACCOUNTING CHANGES

Goodwill and intangible assets

Issued in February 2008, Section 3064, "Goodwill and intangible assets", will replace Section 3062, "Goodwill and other intangible assets", and Section 3450, "Research and development costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes including but not limited to the withdrawal of EIC 27 "Revenues and expenditures during the pre-operating period" and updates to AcG-11 "Enterprises in the development stage". The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its interim period and fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. As at December 31, 2008, the Company is currently assessing the impact of this new policy on its consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee (EIC) of the Canadian Accounting Standards Board (AcSB) issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities, which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009 and is applicable to the Company for its first quarter of fiscal 2009 with retrospective application, if any, to the beginning of its current fiscal year. The Company is currently assessing the impact of EIC 173 on its consolidated financial statements.

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if

less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on the consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning at the latest on January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Many of the amounts included in the financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements. Information about such judgments and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below. Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

- determination of ore reserves and estimation of ore stockpiles;
- uncertain tax and royalties positions;
- capitalisation and impairment of exploration and evaluation costs;
- review of asset carrying values and impairment charges;
- estimation of amount and timing of future expenditures associated with shut-down, site restoration and environmental clean-up;
- estimation of the fair value of unquoted securities;
- pension and other employee benefits;
- future income taxes.

5. RENEWAL OF MINING PERMIT OF THE ITY MINE AND TRANSFER OF OWNERSHIP INTEREST IN SOCIÉTÉ DES MINES D'ITY

On May 25, 2007, the Company reached an agreement with the authorities of the Republic of Côte d'Ivoire regarding the renewal of the mining permit of the Ity mine owned by SMI. The agreement was made in accordance with the Ivorian Code Minier of 1995. The Code Minier requires the holder of the mining permit to grant a 10% equity interest to the State in exchange for the first renewal of such mining permit. In order to meet the requirements of the Code Minier, Cominor and SODEMI, a state company of the Republic of Côte d'Ivoire and the then non-controlling shareholder of SMI directly transferred to the State 10% of their respective interest in SMI on behalf of SMI. The Company's interest in SMI has therefore been reduced from 51% to 45.9%. The Company's 45.9% share of estimated fair value of the renewed mining

license has been estimated to approximate the carrying value of the 5.1% interest in SMI transferred to the State and accordingly no gain or loss has been recorded in the consolidated statement of operations in connection with this transaction.

In conjunction with this transfer, a new shareholders' agreement was entered into with SODEMI and the State which grants the shareholders joint control over SMI. As the Company's control on SMI has changed from unilateral control to joint control, the Company's 45.9% interest in SMI has been accounted through proportionate consolidation since May 25, 2007. Financial statements for prior periods have not been restated.

6. CASH AND CASH EQUIVALENTS

AS AT DECEMBER 31	2008	2007
Cash	6,716	11,337
Bankers' acceptances	900	599
Term deposits	960	1,126
	8,576	13,062

As at December 31, 2008, bankers' acceptances and term deposits totalling \$900 (2007: 599) and \$nil (2007: \$50) were issued by one Canadian bank, bearing interest at a weighted average rate of 1.5% (2007: 4.3%) and maturing in January 2009.

As at December 31, 2008, term deposits totalling \$960 (2007: \$1,076) were issued by one French bank, bearing interest at a weighted average rate of 2.0% (2007: 2.0%) and maturing until December 2009. These term deposits can be withdrawn on demand without any penalty to the original capital amount.

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7. SHORT-TERM INVESTMENTS

AS AT DECEMBER 31	2008	2007
Term deposits (over three months maturity)	3,628	—
	3,628	—

As at December 31, 2008, term deposits totalling \$50 (2007: nil) were issued by one Canadian bank, bearing interest at a weighted average rate of 4.0% and maturing between July and November 2009. Furthermore, term deposits totalling \$3,578 (2007: \$ nil) were issued by one Ivorian

bank, bearing interest at a weighted average rate of 5.0% and maturing until June 2009. These investments represent cash operational surpluses invested on a temporary basis.

8. ACCOUNTS RECEIVABLE

AS AT DECEMBER 31	2008	2007
Trade receivables	5,847	3,283
VAT and sales taxes receivable	5,111	3,271
Amounts due from the majority shareholder (Note 28)	129	44
Other receivables	458	816
	11,545	7,414

The carrying values of trade and other receivables approximate their fair value.

9. INVENTORIES

AS AT DECEMBER 31	2008	2007
Raw materials and consumable stores	6,574	5,039
Work in progress, including stockpiles	30,397	23,682
Finished goods	2,101	1,592
	39,072	30,313

For the period ended December 31, 2008, the Group recorded an expense of \$18,390 (2007: \$17,808) as part of the cost of sales in the consolidated statement of operations.

10. OTHER CURRENT ASSETS

AS AT DECEMBER 31	2008	2007
Deposits and advances	384	179
Prepaid expenses	174	207
	558	386

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11. RESTRICTED CASH

Restricted cash represents funds deposited with a banking institution as security for banking guarantees given on LMRA's behalf. In connection with its mining operations and the related rehabilitation commitment, as operator/manager of the White Foil mine and Mungari joint ventures (Frog's Leg mine), LMRA has provided financial assurance to the Department of Industry and Resources in Western Australia. As at December 31, 2008, letters of guarantee totalling \$872 (2007: \$1,006) have been issued by LMRA's banks on behalf of the company and the joint venture. In respect of this amount, \$396 (2007: \$401) is payable by the

joint venture partners for which LMRA has recourse against them by way of cross-company guarantees which may be resorted to in the event that they were to fail on their obligations.

Furthermore, LMRA has provided financial assurance to its landlord in connection with an occupancy lease. As at December 31, 2008, a letter of guarantee totalling \$154 (2007: \$156) has been issued by LMRA's banks on behalf of the company.

12. PROPERTY, PLANT AND EQUIPMENT

AS AT DECEMBER 31	2008	2007
Cost		
Capitalized exploration and evaluation costs	2,233	7,136
Capitalized mine development costs	81,766	68,386
Software	630	557
Land and buildings	4,791	3,166
Machinery and equipment ¹	90,794	71,763
Work in progress	1,147	614
	181,361	151,622
Accumulated amortization		
Capitalized exploration and evaluation costs	—	—
Capitalized mine development costs	(43,621)	(39,167)
Software	(148)	(417)
Land and buildings	(1,856)	(1,473)
Machinery and equipment ¹	(70,618)	(56,153)
Work in progress	—	—
	(116,243)	(97,210)
Net book value	65,118	54,412

For the period ended December 31, 2008, the Group recorded amortization of \$6,923 (2007: \$6,519) as part of the cost of sales in the consolidated statement of operations.

1. Includes \$3,003 (2007: \$1,322) of equipment under capital lease contracts less accumulated depreciation of \$387 (2007: \$44) for a net book value of \$2,616 (2007: \$1,278). See Note 18 – for details of Capital lease obligations.

Capitalized exploration and evaluation costs

Capitalized exploration and evaluation costs are comprised of wholly owned mining rights, undivided interests in properties and deferred exploration and evaluation costs, as follows:

AS AT DECEMBER 31	2008	2007
Argentina		
Hualilan Project (Note 15)	—	5,953
Atlas Project	400	400
La Ortigueta	827	783
Ivory Coast		
Zia – North East	430	—
Other projects	576	—
	2,233	7,136

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Argentina

The Group is committed through a joint venture agreement with TNR Gold Corp., owner of La Ortigueta's mining property rights. La Mancha may acquire a 42.66% interest by making cash payments, shares issuances and by completing a program of expenditures on the mining property. These commitments must respect a schedule which is planned until July 2009. Following these commitments, the Company issued, in July 2008, a cash payment of US\$33,000 dollars (2007: US\$28,000) and 27,000 shares

(2007: 4,500 shares) at a price of \$0.40 per share to TNR Gold Corp. As of December 31, 2008 and in accordance with the terms of the agreement, the Group has completed the planned program of expenditures on the mining property for the years 2005 through 2008 and has already anticipated the program planned for 2008-2009 by allocating a cumulated total of US\$2,049 in expenditures over a planned program of expenditures of US\$2,030 for this agreement.

As of December 31 2008, the future commitments are schedule as follows:

	CASH PAYMENTS	SHARES TO BE ISSUED
July 15, 2009	US\$43	49,500

The Group may elect at any time to terminate the agreement with TNR Gold before completing all the scheduled commitments. In this case, the Group will acquire no earned interest and will have no further obligations toward TNR Gold with respect to this agreement. The Group may also increase its participation up to 75% following the completion of the first portion of this agreement. In the event of a commercial production of the property, the Group will have to pay to TNR Gold a Net Smelter Royalty of 1.5% on the total production.

Ivory Coast

During the second quarter of 2008, the Group started an exploration campaign in the North-east portion of the Zia extension area, adjacent to the former Flotouo-Zia pit. The preliminary results of this campaign and pre-feasibility study showed a positive economic potential for this project. The Group capitalized the costs related to the exploration campaign along with the costs of the economic study. This project is planned to enter in its development phase in 2013. The Group also capitalized the exploration costs of other promising projects which showed positive economic potential.

Capitalized mine development costs

Capitalized mine development costs include accumulated exploration and development costs for producing mines and projects where a development decision has been made.

The following assets were in a development stage:

AS AT DECEMBER 31	2008	2007
Australia		
White Foil	10,258	8,797
Frog's Leg	19,718	12,327
Sudan		
Kamoeb	929	589
Hassaï North	193	241
Um Ashar	328	149
Others	—	183
Ivory Coast		
Ity	5,067	5,255
Ity – renewal of mining permit (Note 5)	1,652	1,678
	38,145	29,219

Australia

Mining operations on LMRA's White Foil property in Western Australia have been suspended since the fourth quarter of 2003. During 2007, the open pit of White Foil was dewatered. The start-up of the mining operations was delayed in order to review the mining plan and milling opportunities. During the period ended December 31 2008, the completion of the dewatering of the White Foil open pit allowed LMRA to recover some gold bearing residual material. This material was processed and gold with a value of \$1,799 (AU\$2,000) was produced and sold. These revenues, net of the related production and processing costs, were deducted from the related development costs.

With respect to the Frog's Leg mine, the open pit phase was completed in the fourth quarter of 2005. During the 3rd quarter of 2007, work has restarted to develop the underground phase of the Frog's Leg mine with a planned restart of mining operations in the 2nd quarter of 2008. On April 2008, the first stopping was reached and Ore material keeps on being extracted since. Ore material has been processed between May and December 2008. As of December 31, 2008, the criteria's set by management for beginning of production were not reached and the Frog's Leg mine was still consider to be in its development phase.

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During the period ended December 31, 2008, the sustained high level of gold prices allowed the processing of low grade stockpiles that originated from the Frog's Leg Mine open pit phase which had not been originally valued. For the period ended December 31 2008, Australian revenues of \$1,501 (AU\$1,600) originated from the sale of this gold.

Furthermore, for the period ended December 31, 2008, the processing of the first Ore material extracted from the Frog's leg underground mine generated net revenues of \$10,685 (AU\$11,879). These processing were considered as pre-commercial production and the revenues generated by this activity, net of the related milling costs, were recorded against the capitalized assets of the project. The total capital expenditures for the Frog's leg project were reduced by an amount of \$9,810 (AU\$10,906) (2007: none).

Consequently, the assets related to those two mines have not been amortized since production has ceased.

Sudan

In Sudan, some costs were incurred for the development of secondary deposits adjoining the main mining site of Hassaï. These costs are amortized

according to the life of the Ore body for each deposit. In 2008, the group has recorded an amortization of \$516 (2007: \$70). In 2008, the Group started the development of the Uma Shar area. Stripping costs totalling \$328 (2007: nil) were capitalized during the year. Following a re-evaluation of the project an impairment of \$149 was recorded on this project.

Ivory Coast

In Ivory Coast, some costs were incurred for the development of secondary deposits adjoining the main mining site of Ity. These costs are amortized according to the life of the Ore body for each deposit. In 2008, the group has recorded an amortization of \$342 (2007: \$335).

As of December 31, 2008, the Group recorded an amount of \$2,170 (2007: \$1,840) of Capitalized mine development costs corresponding to the renewal of mining permit of the Ity mine less accumulated depreciation of \$518 (2007: \$162) for a net book value of \$1,652 (2007: \$1,678). See Note 5 – renewal of mining permit of the Ity mine and transfer of ownership interest in Société des mines d'Ity.

13. INVESTMENTS AND OTHER ASSETS

AS AT DECEMBER 31	2008	2007
Investments in Australian listed equity securities (a)	770	4,353
Investment in Asset-Backed Commercial Paper (Note 24)	7,143	10,200
Deposits and others	322	70
	8,235	14,623

(a) Investments in Australian listed equity securities

These investments relate to Australian listed equity securities of mining companies for which no shares are held in excess of 9% of the issued shares of these mining companies. Fair value is ascertained by reference to the quoted bid price of the shares at period end. During the year, no other than temporary impairment charge was recorded on the investments (2007: AU\$99).

AS AT DECEMBER 31	2008	2007
Aggregate unrealized gains	35	1,468
Aggregate unrealized losses	(2,308)	–
Tax	682	(440)
	(1,591)	1,028

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

AS AT DECEMBER 31	2008	2007
Trade payables	5,787	2,981
Amounts due to the majority shareholder (Note 28)	721	1,261
Social security and other taxes	3,230	1,842
Accrued expenses and other payables	4,829	3,700
	14,567	9,784

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15. OTHER CURRENT LIABILITIES

Minera Patagonia S.A. was the beneficiary of a usufruct over properties located in Argentina referred to as the Hualilan Gold Project, which is comprised of two mining complexes, Hualilan I and Hualilan II. Minera Patagonia S.A. was committed to a mortgage payable associated with the Hualilan I mining complex. The mortgage payable was initially to be discharged by a series of monthly payments, commencing January 2005, denominated in ounces of gold.

The Group had not commenced the scheduled payments and had received notice from the mortgage holder that it is not in compliance with the terms of the mortgage. On July 17, 2007, the mortgage holder filed a petition of bankruptcy against Minera Patagonia S.A. before the commercial courts of the City of Buenos Aires. This petition of bankruptcy was registered by the

court on December 12, 2007 and on November 20, 2008, the court accepted the petition and officially declared the company bankrupted.

The court has assigned a trustee to present a plan to the creditor for the distribution of the assets. To date, no plan was presented. The bankruptcy procedures are not completed.

Following the loss of control over the entity, the group has de-consolidated all the assets and liabilities associated with Minera Patagonia S.A. from its consolidation and presented the liability as other current liabilities. The assets and liabilities excluded from the consolidation are as follow:

	BOOK VALUE AS AT NOVEMBER 20, 2008
Assets	
Capitalized exploration and evaluation costs – Hualilan Project	5,953
Liabilities	
Accrued expenses and other payables	(15)
Mortgage payable (see Note 24)	(8,459)
Other current liabilities	(2,521)

Once the bankruptcy procedures will be completed and the Company is relieved from any obligation, the liability will be reversed into the consolidated statement of operations.

16. INCOME TAX

(a) Future income tax

Items giving rise to future income tax assets and liabilities are as follows:

AS AT DECEMBER 31	2008	2007
Future income tax assets		
Pension benefit obligations	156	265
Other provisions	971	540
Non-capital losses	10,188	8,957
Other	1,878	445
	13,193	10,207
Future income tax liabilities		
Property, plant and equipment	(1,375)	(1,811)
Pension benefit obligations	(20)	(6)
Other	(520)	(500)
	(1,915)	(2,317)
Net future income tax asset	11,278	7,890
The net future income tax asset is comprised of		
Current future income tax assets	1,059	605
Long-term future income tax assets	12,134	9,602
Long-term future income tax liabilities	(1,915)	(2,317)
	11,278	7,890

Future income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable income is more likely than not.

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Future income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the un-remitted earnings of certain subsidiaries. As at December 31, 2008, withholding tax and other taxes over un-remitted earnings totalled \$410 (2007: \$377).

Canada

As at December 31, 2008, the Company had, for Canadian tax purposes, operating loss carry-forwards expiring as follows:

EXPIRY DATE	AMOUNT
2009	99
2013	1,556
2014	1,623
2025	7,595
2026	1,477
2027	4,151
2028	620

As at December 31, 2008, management considered that it is not "more likely than not" that these losses will be utilized and accordingly a full valuation allowance has been recognized against these tax losses.

Sudan

In May 2007, AMC was notified by the Minister of Finance that the Company will be subject to the income tax rate of 10% applicable to industrial companies. During the AMC Board which was held on January 2008, the Minister of Energy and Mining Activities and the State Finance Minister confirmed that the tax rate applying to AMC was 10% for the year 2007 and thereafter.

(b) Income tax expense

YEAR ENDED DECEMBER 31	2008	2007
Current tax	(3,517)	(2,570)
Future tax	2,379	2,268
Income tax expense	(1,138)	(302)

The tax on the Group's earnings (loss) before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings (loss) of the consolidated companies as follows:

YEAR ENDED DECEMBER 31	2008	2007
Earnings before income tax and non-controlling interests	(4,270)	(9,865)
Combined Canadian federal and provincial rate	32.02%	32.02%
Tax recovery calculated at the Canadian rates	1,367	3,159
Tax rate differences of foreign operations	1,222	407
Limitation on future tax asset	(2,665)	(2,623)
Other permanent differences	(960)	(689)
Non-deductible expenses	(102)	(556)
Income tax expense	(1,138)	(302)

On February 26, 2008, the Minister of Finance and National Economy officially instructed the Tax Chamber to tax mining companies at 10% similar to the industrial sector.

In accordance with the instructions of the Minister of Finance, the 2007 Sudanese income tax was booked with a 10% tax rate.

On March 19, 2008, AMC received a letter from the Sudanese Unified Tax Center that AMC was to pay at a 10% income tax applicable to the industrial sector the remaining of the 2007 tax payable in accordance with the instructions of the Minister of Finance.

On December 23, 2008, an amendment to the tax law announced that the new income tax rate applying for mining sector was 15% and AMC was notified by the Tax administration that the Company was reclassified in the Oil and Mining sector and would be subject to a 15% income tax rate for the year 2008.

In February 2009, the Company received copy of a letter from the Minister of Energy and Mining dated February 2, 2009 addressed to the Minister of Finance recommending a decision to be made by the Council of Ministers so that the mining sector is taxed at 10%.

Moreover, the Sudanese Auditing Chamber approved the 2008 annual financial statements of AMC with a 10% income tax rate.

As at December 31, 2008, it is management's opinion that this change in tax rate for the fiscal year 2008 is contrary to the agreement confirmed by the Minister of Energy and Mining Activities and the State Finance Minister on January and February 2008 so that it will be amended.

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17. LONG-TERM DEBT

In March 2008, the Company negotiated a medium-term treasury agreement with its majority shareholder to facilitate the funding of the construction and start-up costs of the underground phase of the Frog's Leg mine project in Australia

The current agreement provides for a line of credit up to a maximum of AU\$15,000 until December 31, 2011. The credit line bears interest based on the 3 or 6 months LIBOR index plus 2.75% per year, depending on the duration of each withdrawal. The loans are payable on maturity and can be renewed for another period. This agreement is not secured and may be

terminated at any time in the event that the affiliation between the parties should be altered. On December 1st, 2008, the line of credit limit was increased from AU\$15,000 to AU\$22,000 under the same terms and conditions.

As at December 31, 2008, the Company has drawn \$13,253 (AU\$15,500) with a maturity ranging from January to July 2009 renewable until the expiration of this new agreement. Accrued interest payable at period end amounted to \$350 (AU\$410). For the period, the Group recorded an interest of \$576 (AU\$676) (2007: Nil) in the consolidated statement of operations with respect to the borrowings under these agreements. There is no covenant associated with the line of credit.

18. CAPITAL LEASE OBLIGATIONS

YEAR ENDED DECEMBER 31	2008	2007
Assets under capital lease obligations		
Mining equipment	2,361	1,232
Less: Current portion of capital lease obligations	(847)	(311)
	1,514	921

Capital lease obligations relate to mining equipment for the JV project of Frog's Leg, Australia. The Group is jointly liable to a level of 51% of the total capital lease obligations of \$5,274 (2007: \$2,785). The debt has a weighted-average effective interest rate of approximately 9.44% (2007: 8.9%) and a final maturity range from June 2009 to March 2012. During 2008, the Group recorded interest expenses on capital lease obligations of \$142 (2007: \$35).

As at December 31, 2008, obligations under capital lease for future minimum lease payments are as follows:

	CAPITAL LEASE OBLIGATION
2009	1,029
2010	914
2011	680
2012	66
Total minimum lease payments	2,689
Less amounts representing interest	(328)
	2,361

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19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	ASSET RETIREMENT OBLIGATIONS	LITIGATION	OTHER	TOTAL
As at January 1, 2007	1,898	420	1,331	3,649
Charged to Consolidated Statement of Operations:				
Additional provisions	376	–	269	645
Unused amounts reversed	–	–	–	–
Increase in provision – accretion	19	–	–	19
Paid during the year	(28)	–	(737)	(765)
Foreign exchange rate changes	(116)	(22)	(72)	(210)
Change in consolidation basis of SMI (Note 5)	(261)	(217)	(453)	(931)
As at December 31, 2007	1,888	181	338	2,407
Charged to Consolidated Statement of Operations:				
Additional provisions	1,426	31	125	1,582
Unused amounts reversed	–	(9)	(240)	(249)
Increase in provision – accretion	166	–	–	166
Paid during the year	(42)	–	–	(42)
Foreign exchange rate changes	(5)	34	50	79
As at December 31, 2008	3,433	237	273	3,943

AS AT DECEMBER 31	2008	2007
Analysis of total provisions:		
Long-term	3,529	2,407
Current	414	–
	3,943	2,407

As at December 31, 2008, the total undiscounted amount of estimated cash flows necessary to settle the provision for asset retirement obligations is approximately \$4,643 (2007: \$1,839). The disbursements to settle these provisions are expected to be made between 2013 and 2026. The Group's share of SMI's obligations is discounted at an estimated annual rate of 5%

while LMRA's obligations are discounted at an estimated annual rate of 3.99%. Although the Group does not have any obligation to perform site-restoration in Sudan, a provision was recorded for its operation to secure the acidic Ore telling at term.

YEAR ENDED DECEMBER 31	2008	2007
Asset retirement obligations		
Australia	2,821	1,474
Ivory Coast	397	272
Sudan	215	–
	3,433	1,746

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20. PENSION AND OTHER POST-SERVICE BENEFIT OBLIGATIONS

The Group, in accordance with laws and practices prevailing in the countries that it operates in, is committed to pay retirement bonuses or one-time post-service benefits to their retiring or departing employees, based on their compensation and seniority. Defined benefit plans are recognized in accordance

with the accounting policy defined in Note 2.14. Each year, the Group determines its commitments at year-end. These plans are not funded. The amounts for pension and other post-service benefits recognized in the balance sheet are determined as follows:

AS AT DECEMBER 31	2008	2007
Accrued benefit obligation - beginning of year	1,825	2,580
Current service cost	942	367
Interest cost – accretion	169	186
Benefit paid	(693)	(1,042)
Past service cost	3	323
Actuarial (gain) loss amortization	(4)	37
Foreign exchange rate changes	278	(320)
Accrued benefit obligation – end of year	2,520	2,131
Change in consolidation basis of SMI (Note 5)	–	(306)
Liability in the balance sheet	2,520	1,825

AS AT DECEMBER 31	2008	2007
Long-term	1,912	1,589
Current	608	236
	2,520	1,825

The amounts recognized in the consolidated statement of operations are as follows:

YEAR ENDED DECEMBER 31	2008	2007
Current service cost	942	367
Interest cost	169	186
Net actuarial (gains) losses recognized during the year	(4)	37
Past service cost	3	323
	1,110	913

Actuarial assumptions:

These calculations include the following assumptions: probability of retaining employees in the Group, future salary increases and a retirement age between 55 and 60 years old depending on location and applicable laws.

The average life expectancy of a pension after retirement age is estimated at between 4.5 and 10.5 years. The expected average remaining service life of the employees is estimated at between 4.0 and 14.3 years.

	2008			2007		
	IVORY COAST	FRANCE	SUDAN	IVORY COAST	FRANCE	SUDAN
Accrued benefit obligation as of December 31:						
Discount rate	8.0%	5.0%	9.0%	8.0%	5.0%	9.0%
Future salary increases	8.0%	5.0%	9.0%	8.0%	5.0%	9.0%
Benefit costs for years ended December 31:						
Discount rate	8.0%	5.0%	9.0%	8.0%	5.0%	9.0%
Future salary increases	8.0%	5.0%	9.0%	8.0%	5.0%	9.0%

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in each territory.

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21. INTEREST INCOME (EXPENSE)

YEAR ENDED DECEMBER 31	2008	2007
Interest expense:		
Related party borrowings	(576)	—
Capital leases – interest	(142)	—
Other	(77)	(130)
	(795)	(130)
Interest income:		
Income from cash and cash equivalents	538	1,191
Other	58	—
	596	1,191
Net interest income/(expense)	(199)	1,061

22. SHARE CAPITAL

(Equity instruments are in actual quantities and not in thousands)

(a) Authorized

An unlimited number of common shares without par value.

(b) Warrants

	YEAR ENDED DECEMBER 31, 2008			YEAR ENDED DECEMBER 31, 2007		
	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE
Beginning of period	8,266,583	276	\$2.00	8,266,583	276	\$2.00
Expired	(8,266,583)	(276)	—	—	—	—
End of the period	—	—	—	8,266,583	276	\$2.00

All warrants expired on September 28, 2008.

(c) Stock options

Upon the reverse takeover, the Group assumed the Company's stock option plan for its directors, senior officers, employees or employees of one of its subsidiaries as well as for consultants. Options granted under the plan expire over a maximum period of ten years and are exercisable as determined by the Board of Directors of the Company at the time the options are granted. The exercise price of the options under the plan is also fixed on the grant date and shall not, on any account, be less than the market price of the common shares at the grant date, calculated as the volume weighted average trading price of the common shares on the principal stock exchange on which the common shares are trading for the five trading days immediately preceding the grant date.

The maximum number of shares that may be issued pursuant to options granted under the plan will be 10% of the issued and outstanding common shares of the Company, as calculated on the relevant grant date.

Options may be granted by the Board of Directors to any eligible person, subject to the following limitations: (1) the number of common shares in aggregate issuable to insiders, as defined in the relevant securities legislation, and including associates and affiliates of the insider, at any time cannot exceed 10% of the issued and outstanding common shares; (2) the number of common shares in aggregate issued to insiders within any one-year period cannot exceed 10% of the issued and outstanding common shares; and (3) the number of options that may be granted to an eligible person within any one-year period cannot exceed 5% of the issued and outstanding common shares.

In 2008, the Company granted a total of 680,000 (2007: 280,000) stock options to officers, exercisable at a weighted average price of \$0.45 (2007: \$0.86) per share. One half of the options vest in 2010 and the other half vest in 2011. All options expire in 2014. The weighted average grant date fair value of \$0.1494 (2007: \$0.45) per option is based on the Black-Scholes option pricing model with the following weighted-average assumptions: weighted average risk-free interest rate of 3.0% (2007: 4.2%), expected volatility of 50% (2007: 50%), expected dividend of nil and expected life of 6 years.

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In accordance with the Company's stock option plan, the options held by employees and directors of the Company expire 30 calendar days after their resignation. A total of 631,000 options were forfeited during the first quarter of 2008 in connection with these resignations. As at December 31, 2008, an amount of \$25 was reclassified from options to contributed surplus.

	YEAR ENDED DECEMBER 31, 2008			YEAR ENDED DECEMBER 31, 2007		
	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE
Beginning of period	1,016,000	54	1.20	2,421,000	96	1.25
Granted	680,000	—	0.45	280,000	—	0.86
Exercised	—	—	—	(310,000)	(16)	0.96
Forfeited	(631,000)	(25)	1.29	(1,375,000)	(50)	1.27
Stock-based compensation	—	66	—	—	24	—
End of the period	1,065,000	95	0.66	1,016,000	54	1.20

As at December 31, 2008, the value of the options granted during the year were recorded as Stock-based compensation expenses on the consolidated statement of operations based on a pro-rata of the vesting period. The Stock-based compensation expense recorded in 2008 was \$66 (2007: \$24).

As at December 31, 2008, options outstanding under the plan are as follows:

OPTIONS OUTSTANDING					OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE (\$)	WEIGHTED AVERAGE GRANT DATE FAIR VALUE (\$)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
\$0.30	40,000	5.6	\$0.30	\$0.10	—	—
\$0.45 to \$0.46	640,000	5.2	\$0.46	\$0.15	—	—
\$0.85 to \$0.87	280,000	4.5	\$0.86	\$0.45	—	—
\$1.50	105,000	2.4	\$1.50	\$0.04	105,000	\$1.50
	1,065,000	4.8	\$0.66	\$0.22	105,000	\$1.50

23. EARNINGS PER SHARE

Basic and diluted earnings (loss) per share have been calculated as follows:

YEAR ENDED DECEMBER 31	2008	2007
Basic weighted-average number of common shares outstanding	142,020,351	141,935,014
Dilutive effect of stock options	—	—
Diluted weighted-average number of common shares outstanding	142,020,351	141,935,014

For the periods ended December 31, 2008 and 2007; all options outstanding were anti-dilutive, as the Company reported a net loss.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUES

The fair value of financial instruments is estimated using the following methods and assumptions for each class of financial instruments.

Cash and cash equivalents, short-term investments, accounts receivables, restricted cash, bank indebtedness accounts payable — The carrying amounts are equal to the fair values or approximate fair values due to the short maturity of these financial instruments.

Investments in publicly listed equity securities — The fair value of the Investment in listed equity securities is determined using the bid price at period end.

Investment in Asset-backed commercial paper — The fair value of the Asset-backed commercial paper, as further discussed below in the credit risk analysis, is determined by using a probability-weighted approach employing assumptions and is based on the Group's assessment of market conditions at period end.

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Long-term debt – The long-term debt bears interest at floating rates and therefore it is management's opinion that the carrying value approximates its fair value.

Capital lease obligations – The capital lease obligations bear interest at fixed rates. These obligations are carried at amortized cost using the effective rate method.

Accordingly, at period end, the book value of all of the Company's financial instruments approximates or is equal to fair value.

RISK MANAGEMENT

The Group, through its financial assets and liabilities, has exposure to the following financial risks: credit risk, liquidity risk, and market risk. Market risk consists of price risk (including commodity price risk, and quoted market price risk), foreign exchange risk, and interest rate risk. The following analysis provides a measurement of risks as at the balance sheet date of December 31, 2008.

From time to time the Group uses derivative instruments to manage its exposure to foreign exchange risk and fluctuations in commodity prices. Risk management is carried out by the Group financial management. The Group financial management identifies, evaluates and hedges financial risks. The Group's overall risk management policies follows the majority shareholder's

The maximum exposure to credit risk at the reporting date was:

AS AT DECEMBER 31	2008	2007
Cash	6,716	11,337
Bankers' acceptances	900	599
Term deposits	960	1,126
Short-term investments	3,628	–
Trade receivables	5,847	3,283
Other receivables	5,698	4,131
Deposits and advances	384	179
Investment in Asset-Backed Commercial Paper (a)	7,143	10,200
Restricted cash	1,026	1,162
	32,302	32,017

The Bankers' acceptance, Term deposits, Short-term investments, and restricted cash mature between 5 and 365 days from the date of the investment with an average interest rate of 4.5% (2007: 4.3%).

The Group has a higher concentration of credit risk, with regard to its trade receivables, given the small number of customers; however, this risk is

policies covering specific areas, such as foreign exchange risk, commodity price risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. When needed, the Group financial management will cooperate with the majority shareholder's treasury department to assist and book coverage for identified risks.

CREDIT RISK

Counterparty risk associated with financial instruments is monitored by the Group financial management. The majority shareholder's treasury department comes in support for the commitments and the implementation of a series of procedures that specify the limits and characteristics of the counterparty for each type of instrument.

The Company's exposure to credit risk arises from the following financial assets: cash and cash equivalents, trade receivables, asset backed commercial papers, and restricted cash.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. From time to time, the Company will invest its excess liquidity in high quality and liquid short-term financial instruments limiting its exposure to credit risks. The carrying amount of financial assets represents the maximum credit exposure.

compensated by very short-terms of payment and a close monitoring of each delivery.

The Other receivables are mainly made up of taxes receivable and receivables from government authorities. As these receivables arise from legislative measures they do not represent a high credit risk.

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The following table set forth details of the trade receivables that are not overdue as well as an analysis of the overdue amounts and related allowance for doubtful accounts:

AS AT DECEMBER 31	2008	2007
Trade receivable	5,847	3,283
Less: Allowance for doubtful accounts	—	—
	5,847	3,283
Of which:		
Not past due (less than 30 days)	5,847	3,283
Overdue	—	—
	5,847	3,283

(a) Investment in Asset-Backed Commercial Paper

As at December 31, 2008, the Group held two notes for a \$12,000 principal amount of Canadian non-bank sponsored asset-backed commercial paper (“ABCP”) issued by two issuers. These two notes which were due and payable on September 4, 2007 remain outstanding as a result of the inability of the issuers to complete a rollover on the due date because of the lack of liquidity for ABCP. At the dates at which the Company acquired the investments, the notes were rated R-1 (High) by DBRS, the highest credit rating for commercial paper.

On March 17, 2008, the Investors Committee for Third-Party Structured Asset-Backed Commercial Paper (“the Committee”) announced that it had asked the Ontario Court of Justice for permission to call a noteholder meeting to approve a proposed restructuring plan (the “Restructuring Plan”). The Court approved the request and the Committee released details of the Restructuring Plan to noteholders at the end of March, 2008. The noteholder meeting was held on April 25, 2008 and the Restructuring Plan was approved by 96% of noteholders; on June 5, 2008, Judge Colin Campbell of the Court then sanctioned the Restructuring Plan.

On June 25 and 26, 2008, the Court of Appeal for Ontario heard motions from a number of corporate noteholders seeking to challenge the Ontario Superior Court of Justice decision that sanctioned the Restructuring Plan. On August 18, 2008, the Court of Appeal for Ontario upheld this sanction order. On September 19, 2008, the Supreme Court of Canada denied the number of corporate noteholders leave to appeal the Court of Appeal for Ontario decision. On November 25, 2008 the Committee announced a delay in completing the Restructuring Plan due to the current financial market conditions, the complexity of the restructuring and the large number of participants involved.

On December 24, 2008, the Committee confirmed that an agreement had been reached with all key stakeholders including the governments of Canada, Quebec, Ontario and Alberta regarding the restructuring of third-party sponsored asset-backed commercial paper. This announcement followed the decision of the Ontario Superior Court to extend the stay period for the Restructuring Plan until January 16, 2009. Pursuant to the terms of the agreement, the governments, together with certain participants in the restructuring are to provide, in the aggregate, \$4.45 billion of additional margin facilities to support the proposed Restructuring Plan. The agreement also includes an extension of the previously announced moratorium from 14 to 18 months on collateral calls.

On January 12, 2009, the Superior Court of Ontario granted the Implementation Order for the Restructuring Plan. On January 21, 2009, the Restructuring Plan was completed.

Upon closing of the Restructuring Plan:

- a first payment of \$398, representing interest that has accrued on ABCP between August 2007 and August 31, 2008, net of expenses including restructuring costs and reserves, was made to the Group. Further payments representing interest earned in the ABCP conduits for the period between September 1, 2008 and the closing date will also be made to the Company following the review of the financial data from September 1, 2008 by the monitor of the Restructuring Plan.
- the Group received \$2,927 of MAV2 Class A-1 Notes, \$6,521 of MAV2 Class A-2 Notes, \$1,184 of MAV2 Class B Notes, \$329 of MAV2 Class C Notes and \$949 of MAV2 Class IA Tracking Notes (collectively the “Long-term Notes”). The MAV2 Class A-1 Notes, MAV2 Class A-2 Notes, MAV2 Class B Notes will accrue interest at the Bankers’ Acceptances (“BA”) rate less 0.50%. The MAV2 Class C Notes will accrue interest at the BA rate plus 20%. The MAV2 Class IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific underlying assets.

The Group also estimates the maturity of the Long-Term Notes will range from 1.5 years to 8 years from December 31, 2008. The rating Agency DBRS has reduced the rating from AA to A for class A-1 Notes and to class A-2 Notes.

As at December 31, 2008, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company estimates the fair values of the Long-Term Notes using a valuation technique which incorporates a probability-weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at December 31, 2008. The discount rates consider factors that include the BA rate and credit spread applicable to the anticipated credit rating. As of December 31, 2008 the likelihood of success of the Restructuring Plan became 100% instead of 80% in 2007. The Group has considered current market conditions surrounding the Restructuring Plan such as liquidity, transparency and credit risk in developing the assumptions used in estimating

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the fair value of the ABCP. Due to these market conditions, the group completely devalued the MAV2 Class C Notes and the MAV2 Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages). The Group recorded a reduction in fair value of \$4,857, of which \$3,057 is included in loss on investments, net for the year ended December 31, 2008. The reduction in fair value during the period ended December 31, 2008 was due to a different allocation of notes, deterioration in the credit market, reduction of the DBRS rating and increases in liquidity premiums since December 31, 2007, resulting in higher discount factors. As at December 31, 2008, the fair value of the Group's ABCP was estimated at \$7,143 which included accrued interest receivable of \$441 (2007: \$ nil). Since the fair value of the Long-Term Notes is determined using a probability-weighted approach employing the foregoing assumptions and is based on the Group's assessment of market conditions as at December 31, 2008, and despite the fact that the restructuring took place on January 21, 2009 the fair value reported may change materially in subsequent periods.

The Company used a wide range of discount rates resulting in a weighted-average discount of 7.2 % for the ABCP as at December 31, 2008. A 1% increase in the discount rate will decrease the fair value by approximately \$545.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 25 – Capital Disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. Since the reverse takeover of September 28, 2006, the Company had financed its exploration and mining activities through operating cash flows and the utilisation of its liquidity reserves. Furthermore, as discussed in Note 17, a credit facility was recently established to help fund the development of the Frog Leg Project in Australia.

The following are the contractual maturities of financial liabilities as at December 31 2008:

	CARRYING AMOUNT	0 TO 12 MONTHS	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS
Bank indebtedness	3	3	–	–	–
Accounts payable and accrued liabilities	14,567	14,567	–	–	–
Long-term debt	13,253	–	–	13,253	–

MARKET RISK

Quoted market price risk

The Group's principal financial assets subject to quoted market price risk are its Investments in Australian listed equity securities for which no shares are held in excess of 9% of the investee. The carrying value of these securities equals their fair value.

The maximum exposure to market risk at the reporting date was:

AS AT DECEMBER 31	2008	2007
Investments in Australian listed equity securities	770	4,353
	770	4,353

Based on the balance as at December 31 2008, a 10% increase (decrease) in the quote bid price of the shares on that date would have resulted in an increase (decrease) of approximately \$54 (net of tax of \$23) in other comprehensive income (loss).

COMMODITY PRICE RISK

The Group is exposed to commodity price risk mainly arising from gold sales and energy supply and may use financial instruments, including forward sales agreements, to reduce its exposure to commodity price volatility. The Group currently is not party to any hedging contracts on gold or energy prices.

The Group's commodity price risk associated with financial instruments arises from the gold ounce denominated mortgage payable, which was considered to contain an embedded derivative representing a swap on gold. As the loan's payment terms have not been adhered to, the entire balance was considered current and accordingly the term of the embedded gold swap was considered to be due on demand. Consequently, the fair value of the embedded derivative included in the debt's carrying amount was measured

using the spot price at the balance sheet date. The mortgage payable was therefore subject to fluctuations based on changes in the Canadian dollar equivalent of gold prices. As previously discussed in Note 15; the financial instrument containing an embedded derivative was de-consolidated upon the declaration of bankruptcy of Minera Patagonia S.A. on November 20, 2008.

As at November 20, 2008, the mortgage payable was measured using the gold spot price of US\$738.00 per oz (December 31, 2007: US\$836.50 per oz) and an exchange rate of CA\$1.2855 to US\$1 (December 31, 2007: CA\$0.9881 to US\$1). For the period from January 1, 2008 to November 20, 2008 (date of loss of control of Minera Patagonia S.A.), the Company recorded a loss of \$1,089 (2007 - 12 month period: \$761) in its consolidated statement of operations related to this embedded derivative.

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency transactions, primarily with respect to the US dollar. Foreign exchange transaction risk arises primarily from future

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commercial transactions that are denominated in a currency that is not the functional currency of the Group's business unit that is party to the transaction. Furthermore, to manage its foreign exchange risk arising from future commercial transactions, the Group can use currency forwards and

swaps. As at December 31, 2008 the Group holds one Euro base future contract on currency against the US\$ amounting to US\$278; for which the recorded value approximated its fair value. Otherwise, the Group is not party to any other hedging instruments.

The Group is exposed to the following significant currency risks as at December 31, 2008:

	CANADIAN DOLLAR FUNCTIONAL CURRENCY BUSINESS UNITS			EURO FUNCTIONAL CURRENCY BUSINESS UNITS	
	US\$	ARG\$	CA\$	US\$	SUDANESE DINAR
Cash and cash equivalents	106	1,495	1,626	–	392
Accounts receivable	–	598	–	–	1,350
Accounts payable and accrued liabilities	–	(29)	–	(183)	(7,355)
	106	2,064	1,626	(183)	(5,613)
Equivalent in CA\$	129	715	1,626	(224)	(3,126)

The Euro functional business units have balances denominated in Francs CFA. However, given the fixed rate peg of this currency to the Euro, management does not consider that these balances are exposed to currency risk.

The AU\$ functional business units do not normally maintain financial instruments denominated in currencies other than the Australian dollar. The foreign exchange risk for this unit is limited to purchases of mining equipment and mining supplies. As of December 31, 2008, the Australian subsidiary did not have any pending purchases and/or pending orders in a currency other than its functional currency.

Based on the financial instruments outstanding as at December 31, 2008, a 20% increase (decrease) in exchange rates of the respective foreign currencies on that date would have resulted in a decrease (increase) of approximately \$549 in the consolidated statement of income.

Furthermore, the Company is also exposed to foreign exchange risk in regard to the net investments in its Euro and AU\$ self-sustaining foreign operations. These foreign exchange variations are presented in the Other Comprehensive Income. For the period ended December 31, 2008, the Company reported a foreign exchange gain of \$9,462 net of tax (2007: \$(2,600)). Based on the balance as at December 31, 2008, a 20% increase

(decrease) in exchange rates of the respective foreign currencies on that date would have resulted in an increase (decrease) of approximately \$8,661 in Other Comprehensive Income.

INTEREST RATE RISK

The Group's exposure to interest rate risk arises from its credit facility recently negotiated with its majority shareholder.

The large majority of the cash, cash equivalents, and short-term investments are invested in Canadian dollar and Euro equivalent denominated short-term instruments while the restricted cash is invested in Australian dollar denominated short-term bank deposits.

This credit facility bears interest based on the published LIBOR interest index.

The interest expense arising from these instruments is therefore subject to interest rate fluctuations.

Based on the balances outstanding during the period ended December 31, 2008, a 1% increase (decrease) in the interest rate index would have resulted in an increase (decrease) of approximately \$47 in earnings before income taxes.

25. CAPITAL DISCLOSURES

The Group is currently not subject to externally imposed capital requirements. The Group defines its capital as being constituted by its shareholders' equity. The Group manages its capital structure based on the relationship between the net debt, itself constituted by short-term and long-term financial debt, including capital lease obligations, for both current and long term portions, net of cash and cash equivalents, and capital.

The Group's capital management objectives are to:

- have sufficient capital to be able to meet the Company's mining properties exploration and mining development plan in order to ensure the growth of the activities.

- have sufficient access to liquidity to fund the exploration expenses and investing activities and the working capital requirements.

For the period ended December 31, 2008, the Company invested \$20,509 (2007 - \$19,762) in its Australian and African mining projects and expensed \$6,568 (2007 - \$7,519) in its exploration programs.

Furthermore, for the period ended December 31, 2008, the Company has obtained a medium term credit line agreement with its majority shareholder to facilitate the funding of the construction and start-up costs of the Frog's Leg mine project in Australia. This debt does not contain any financial covenants.

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The company monitors capital on the basis of the net debt-to equity ratio. These ratios at December 31, 2008 and December 31, 2007 were as follows:

AS AT DECEMBER 31	2008	2007
Bank indebtedness	3	119
Mortgage payable	–	7,369
Long-term debt	13,253	–
Capital lease obligations	2,361	1,232
Financial liabilities	15,617	8,720
Cash, cash equivalents and short-term investments	12,204	13,062
Net debt (Cash surplus)	3,413	(4,342)
Shareholders' equity	106,777	104,679
Net debt / Shareholders' equity	0.03 : 1.0	(0.04) : 1.0

The Company's objective is to maintain a level of Net debt in line with the generated cash flow expected from its current and futures operations.

26. INVESTMENTS IN JOINT VENTURES

The Group's gold mining operations in Sudan are carried out through its 40% joint venture interest in AMC while its operations in Côte d'Ivoire are carried out through its 45.9% joint venture interest in SMI since

May 25, 2007 (see Note 5). In addition, the Group, through LMRA, carries out some exploration and mining operations in Australia through its interests in the following unincorporated joint ventures:

AS AT DECEMBER 31		2008	2007
Cutters Ridge JV	Exploration	51.00	51.00
Kintore East JV	Exploration	76.45	76.25
Polaris JV	Exploration	68.22	68.01
Mungari East JV (Frog's Leg)	Mining and Exploration	51.00	51.00
West Kalgoorlie JV	Exploration	51.00	51.00
Yuinmery	Exploration	71.67	72.47

The following amounts represent the Group's share of the assets and liabilities, revenues and expenses, and cash flows of the joint ventures included in the balance sheet, statement of operation and cash flows:

AS AT DECEMBER 31	2008	2007
Assets:		
Current assets	50,987	38,073
Long-term assets	52,726	39,721
Liabilities:		
Current liabilities	(12,267)	(3,334)
Long-term liabilities	(6,078)	(10,719)
YEAR ENDED DECEMBER 31	2008	2007
Revenue	51,045	46,065
Expenses	(42,514)	(42,029)
Net earnings	8,531	4,036
Cash flows from:		
Operating activities	10,515	3,185
Investing activities	(18,869)	(10,563)
Financing activities	–	(1,089)

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27. COMMITMENTS AND CONTINGENCIES

In the normal conduct of operations, there are pending claims by and against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on advice and information provided by its legal counsel, final determination of these litigations will not materially affect the Group's consolidated financial position or consolidated statement of operations.

Operating lease commitments and tenement lease obligations

In Australia, LMRA is also engaged in capital commitments related to tenement lease obligations where LMRA is required to incur expenditures during the lease period in order to keep the leases current. While these amounts have been shown as obligations, it is possible to avoid such obligations in exchange

for the leases being surrendered. The period of these obligations does not exceed 21 years. The total amount contracted for by LMRA is \$12,602, of which \$11,437 (AUD\$13,377) represents LMRA's share of such obligations arising from properties held through joint ventures.

The Group is committed on the following types of lease obligations:

- Commercial leases on plant and mining equipments
- Commercial leases on office equipments
- Lease of office spaces

As at December 31, 2008, the future aggregate minimum operating lease payments over the next five years and thereafter under non-cancellable operating leases are as follows:

	OPERATING LEASE	TENEMENT OBLIGATION
2009	409	2,287
2010	272	2,287
2011	225	2,287
2012	225	2,287
2013	225	379
Thereafter	150	–
	1,506	9,527

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a three- to six-month notice for the termination of these agreements.

28. RELATED-PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following transactions with its majority shareholder:

(i) Purchases of services

YEAR ENDED DECEMBER 31	2008	2007
Shared administrative costs and other purchases – majority shareholder	2,506	1,829
Shared administrative costs from related parties – board members	–	361

The Company incurred some administrative services costs and other purchases from its majority shareholder. Services and other purchases, which are recorded at exchange amount, are usually negotiated with related parties on a cost-plus basis or on a lump sum basis.

The Company incurred some shared administrative services for the former corporate office in Vancouver with companies controlled by or under the significant influence of former board members of the Company. Services,

which are recorded at exchange amount, are usually negotiated with related parties on a cost-plus basis. This agreement was terminated on June 30, 2007.

(ii) Joint venture recoveries

The amounts in the consolidated statement of operations for joint venture recoveries represent the partners' share of accounting and administration services rendered to the joint ventures by LMRA. Those services are measured at cost.

(iii) Current balances with related parties

AS AT DECEMBER 31	2008	2007
Receivables to related parties – majority shareholder (Note 8)	129	44
Payables to related parties – majority shareholder (Note 14)	(721)	(1,261)
	(592)	(1,217)

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29. SEGMENT REPORTING

The Group's operations are concentrated on gold mining and exploration and are managed on a country by country basis. These segments are described below:

- **Ivory Coast** reflects the Group's joint venture interest in the operations of SMI, which operates the Ity gold mine in western Ivory Coast and holds contiguous exploration interests;
- **Sudan** reflects the Group's joint venture interest in the operations of AMC, which operates the Hassaï mines in north-eastern Sudan and holds contiguous exploration interests;
- **Australia** reflects the Group's operations of LMRA. LMRA's mining operations on its two principal properties in Western Australia, White Foil and Frog's Leg. The start-up of the White Foil mining operations was delayed in order to review the mining plan and milling opportunities.

As of December 31, 2008, the Frog's Leg mine was still in its development phase. LMRA also holds exploration interests in Western Australia and, to a lesser extent, in Queensland;

- **Argentina** reflects the exploration activities carried out by Compania Minera Esperanza S.A.

The Other activities reflect the Group's corporate risk management, treasury and support activities, unallocated assets located in France and Canada, and inter-segment eliminations.

Revenue is allocated based on the country in which the gold is produced. Each of the Ivory Coast and Sudan segments has one major customer that accounts for the majority of its revenue. Assets are attributed to where they are located. The Company analyzes the performance of its operating segments based on their net income.

The tables below summarize the selected financial information by segment:

	FOR THE YEAR ENDED DECEMBER 31, 2008					
	IVORY COAST	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Revenue	22,318	27,344	1,501	—	2,476	53,639
Mine operating earnings (loss)	8,346	3,129	(4,932)	(1,112)	(5,474)	(43)
Interest income (expense)	3	190	(559)	—	167	(199)
Income tax expense	(2,368)	(473)	2,240	—	(537)	(1,138)
Net earnings (loss)	5,981	2,846	(3,251)	(1,112)	(9,872)	(5,408)
Depreciation and amortization	2,741	2,623	1,426	—	133	6,923
Capital expenditures	2,736	2,952	14,821	—	230	20,739
	AS AT DECEMBER 31, 2008					
	IVORY COAST	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Property, Plant and Equipment	12,927	12,798	37,837	1,227	329	65,118
Total assets	29,210	47,403	58,775	1,227	14,424	151,039
	FOR THE YEAR ENDED DECEMBER 31, 2007					
	IVORY COAST	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Revenue	20,183	25,870	—	—	2,403	48,456
Mine operating earnings (loss)	3,172	4,013	(6,503)	(1,039)	(7,845)	(8,202)
Interest income (expense)	(26)	9	178	—	900	1,061
Income tax expense	(1,392)	(440)	2,205	—	(675)	(302)
Net earnings (loss)	1,120	3,582	(4,226)	(1,039)	(10,243)	(10,806)
Depreciation and amortization	2,755	3,228	458	—	78	6,519
Capital expenditures	3,002	3,832	12,928	33	269	20,064
	AS AT DECEMBER 31, 2007					
	IVORY COAST	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Property, Plant and Equipment	10,979	10,542	25,526	7,136	229	54,412
Total assets	19,049	42,021	47,101	7,136	16,272	131,579