AFRICAN GOLD GROUP, INC.
Consolidated Financial Statements
For the years ended December 31, 2012 and 2011
(Expressed in U.S. Dollars)

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Independent Auditor's Report

To the Shareholders of African Gold Group, Inc.

We have audited the accompanying consolidated financial statements of African Gold Group, Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive loss, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of African Gold Group, Inc. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the going concern assumption paragraph in Note 2 of the consolidated financial statements which indicates that there is uncertainty as to whether the Company will be able to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months without additional financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

April 30, 2013
Toronto, Ontario

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)

December 31	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	$ 808,643	$ 5,787,280
Receivables	31,282	61,665
Due from related parties (note 7)	-	142,919
Prepaid expenses	136,713	152,296
Asset classified as held for sale (note 10)	3,525,000	-
Total Current Assets	4,501,638	6,144,160
Exploration and evaluation assets (note 5)	25,220,949	26,746,092
Property and equipment (note 6)	823,767	874,515
Total Assets	$ 30,546,354	$ 33,764,767
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ 1,974,653	$ 1,228,414
Liabilities of assets classified as held for sale (note 10)	1,320,000	-
Total Current Liabilities	3,294,653	1,228,414
SHAREHOLDERS' EQUITY		
Share capital (note 8)	43,933,108	43,933,108
Reserve - Share based payments (note 8)	5,650,655	5,645,777
Accumulated other comprehensive income	988,542	356,922
Accumulated deficit	(23,320,604)	(17,399,454)
Total Shareholders' Equity	27,251,701	32,536,353
Total Liabilities and Shareholders' Equity	$ 30,546,354	$ 33,764,767

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying notes are an integral part of the consolidated financial statements

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in U.S. Dollars)

For the years ended December 31,		2012		2011
Interest income	$	14,796	$	58,698
Expenses				
Administrative and general		1,273,860		1,302,386
Personnel costs		397,937		550,274
Amortization		62,793		18,315
Foreign exchange (gain) loss		535,491		(328,189)
Share based payments		4,878		236,817
Unrecoverable exploration and evaluation assets (note 5)		3,660,987		-
		5,935,946		1,779,603
Net loss for the year		5,921,150	$	1,720,905
Foreign currency translation differences		631,620		(637,654)
Comprehensive loss for the year	$	5,289,530	$	2,358,559
Weighted average shares outstanding		115,564,988		114,266,560
Basic and diluted loss per share (note 9)	$	0.05	$	0.02

The accompanying notes are an integral part of the consolidated financial statements

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in U.S. Dollars)

	Shares	Share Capital	Reserve - Share Based Payments	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
		$	$	$	$	$
Balance, January 1, 2011	97,161,188	40,474,869	5,745,440	994,576	(15,678,549)	31,536,336
Exercise of warrants (note 8)	17,403,800	2,618,267	-	-	-	2,618,267
Exercise of compensation units (note 8)	800,000	808,828	(325,564)	-	-	483,264
Exercise of stock options (note 8)	200,000	31,144	(10,916)	-	-	20,228
Share based payments	-	-	236,817	-	-	236,817
Foreign currency translation differences	-	-	-	(637,654)	-	(637,654)
Net loss for the year	-	-	-	-	(1,720,905)	(1,720,905)
Balance, December 31, 2011	115,564,988	43,933,108	5,645,777	356,922	(17,399,454)	32,536,353
Share based payments	-	-	4,878	-	-	4,878
Foreign currency translation differences	-	-	-	631,620	-	631,620
Net loss for the year	-	-	-	-	(5,921,150)	(5,921,150)
Balance, December 31, 2012	115,564,988	43,933,108	5,650,655	988,542	(23,320,604)	27,251,701

The accompanying notes are an integral part of the consolidated financial statements

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

For the years ended December 31,	2012	2011
Cash flow from operating activities		
Net loss for the year	$ (5,921,150)	$ (1,720,905)
Adjustments to reconcile loss to net cash used in operating activities		
Foreign exchange (gain) loss	535,491	(328,189)
Depreciation	62,793	18,315
Interest income	(14,796)	(58,698)
Share based payments	4,878	236,817
Unrecoverable exploration and evaluation assets	3,660,987	-
	(1,671,797)	(1,852,660)
Changes in non-cash working capital balances		
Receivables and prepaid expenses	45,966	(14,293)
Accounts payable and accrued liabilities	696,966	38,324
Net cash used in operating activities	(928,865)	(1,828,629)
Cash flow from investing activities		
Purchase of property and equipment	(42,976)	(820,725)
Due from related parties	192,192	(77,453)
Interest received	14,796	58,698
Liabilities of assets classified as held for sale	1,320,000	-
Investment in exploration and evaluation assets	(5,630,451)	(5,940,743)
Net cash used in investing activities	(4,146,439)	(6,780,223)
Cash flow from financing activities		
Exercise of stock options	-	20,228
Exercise of compensation units	-	483,264
Exercise of warrants	-	2,618,267
Net cash provided from financing activities	-	3,121,759
Effect of foreign currency translation on cash balances	96,667	(309,465)
Decrease in cash and cash equivalents during the year	(4,978,637)	(5,796,558)
Cash and cash equivalents, beginning of year	5,787,280	11,583,838
Cash and cash equivalents, end of year	$ 808,643	$ 5,787,280
Cash and cash equivalents:		
Cash	$ 780,444	$ 1,150,339
High-interest savings account	28,199	4,636,941
	$ 808,643	$ 5,787,280

The accompanying notes are an integral part of the consolidated financial statements

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

African Gold Group, Inc. (the "Company" or "AGG") was incorporated in Ontario, Canada on October 2, 2002 and carries on business in one segment, being the identification, acquisition and exploration of properties for mining of precious and base metals. The Company's principal assets are mining licenses located in Ghana and Mali, West Africa. The Company is listed on the TSX Venture Exchange, having the symbol AGG-V. The address of the Company's head office is 150 King Street West, Suite 2518, Toronto, Ontario, Canada M5H 1J9.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2013.

2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

The Company reported a net loss of $5,921,150 in the year with negative cash flows from operations of $928,865 and at December 31, 2012, the Company had a deficit of $23,320,604. There is uncertainty as to whether the Company will be able to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months without additional financing.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. The Company is also considering the sale of its exploration and evaluation assets in Ghana in order to obtain additional sources of financing.

2. GOING CONCERN - continued

These circumstances create material uncertainty that lends significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting principles followed in preparing these consolidated financial statements are as follows:

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars unless otherwise indicated. The functional currency of the Company is the Canadian dollar.

Principles of Consolidation

The consolidated financial statements include the accounts of its wholly owned subsidiaries AGG (Barbados) Limited (incorporated in Barbados), AGG (Ghana) Ltd. and Arziki Mining Ltd. ("Arziki") (both incorporated in Ghana, Africa) and AGG (Mali) S.A.R.L. and Kobada Development S.A.R.L. (both incorporated in Mali, Africa) as well as a 95% interest in Foroko Exploration S.A.R.L. (incorporated in Mali, Africa). All inter-company transactions and resulting balances have been eliminated on consolidation.

Financial Instruments

Financial Assets

Financial assets are initially recorded at fair value and classified upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss. Financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

A financial asset is classified at fair value through profit or loss ("FVTPL") if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Realized and unrealized gains and losses are reflected in the statement of comprehensive loss. Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company had no financial instruments in this category at December 31, 2012 and 2011.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments - continued

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's cash and cash equivalents and receivables are classified as loans and receivables.

Available-for-sale instruments are non-derivative financial assets that do not meet the definition of loans and receivables and are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss. The Company had no financial instruments in this category at December 31, 2012 and 2011.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Financial instruments are classified as held to maturity investments if the Company has the intention and ability to hold them to maturity. Subsequent to initial recognition held to maturity investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying value of the investment, including impairment losses, are recognized in net income or loss. The Company had no financial instruments in this category at December 31, 2012 and 2011.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are initially recorded at fair value and classified upon inception as other financial liabilities. Accounts payable and accrued liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Accounts payable and accrued liabilities are classified as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid high-interest savings accounts convertible to known amounts of cash and subject to an insignificant risk of change in value with maturities of less than three months after acquisition.

Exploration and Evaluation Assets

Pre-exploration costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, all direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as the acquisition of rights to explore; sampling and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial feasibility of extracting a mineral resource. These costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves. The recorded amounts of exploration and evaluation assets represent actual expenditures incurred and are not intended to reflect present or future values. Costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are expensed in the year in which they occur.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and on future profitable production or proceeds from the disposition thereof, all of which are uncertain.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives as follows:

Computers	-	30% diminishing balance
Furniture and fixtures	-	10% straight line
Vehicles	-	20% straight line
Leasehold improvements	-	Over the term of the lease
Exploration equipment	-	33 1/3% straight line

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including exploration and evaluation assets and property and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of individual assets, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely dependent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income/loss.

Income Taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at year end, adjusted for amendments to taxes payable with regards to previous years.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share Based Payments - continued

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on grant date.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in Reserve - Share based payments, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in Reserve – Share based payments is credited to share capital for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to translating financial statements of foreign operations.

Foreign Currency Transactions and Translation

The reporting currency is the U.S. dollar. The Company's functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries, AGG (Barbados) Limited, AGG (Ghana) Ltd., Arziki Mining Ltd. ("Arziki"), AGG (Mali) S.A.R.L., Kobada Development S.A.R.L. and Foroko Exploration S.A.R.L. is the U.S. dollar. References to CDN$ represent Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign Currency Transactions and Translation - continued

Accordingly, the accounts of the Company are translated to U.S. dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

Transactions in currencies other than the functional currency of the Company and its subsidiaries are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Increases in provisions due to the passage of time are recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. At each statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation.

The Company has no material provisions as at December 31, 2012 or December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions - continued

Rehabilitation Provisions

A legal or constructive obligation to incur rehabilitation provisions may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company had no material rehabilitation obligations as at December 31, 2012 or December 31, 2011.

Loss per Share

Basic loss per share is calculated by dividing net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments are converted during the year.

Asset Classified as Held For Sale

Assets and liabilities are classified as held for sale if their net book values are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their net book value and fair value less cost to sell and are not depreciated, depleted or amortized. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

CGU Determination

Identification of an asset's cash-generating unit under IAS 36 involves judgment. If the recoverable amount cannot be determined for an individual asset, management identifies the lowest aggregation of assets that generate largely independent cash inflows. Management has determined that there is one CGU for impairment testing purposes.

Functional Currency

The determination of an entity's functional currency is a key judgment based on the primary economy environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities.

Assets Held For Sale

The classification of assets as held for sale requires judgment in determining whether it is highly probable that the asset will be sold. For the sale to be highly probable, management must be committed to a plan to sell the asset, the asset must be actively marketed for sale at a price that is reasonable in relation to its fair value and the sale is expected to be completed within one year.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Critical Accounting Estimates and Judgments - continued

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment

Assets, including property and equipment, and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates the higher of fair value less costs to sell and value in use. Determining the recoverable amount of property and equipment and exploration and evaluation assets requires management to make assumptions about future events and circumstances and cash flows. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9, *Financial Instruments* will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, deferred the effective date to annual periods beginning on or after January 1, 2015, with earlier adoption permitted

IFRS 10, Consolidated Financial Statements, will replace IAS 27 and SIC-12 (Consolidation – Special Purpose Entities). The new standard provides a single model for consolidation based on control, which exists when an investor has the power to control, is exposed to or has the right to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The standard also provides guidance on how to evaluate power to control. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company plans to adopt this new standard when it becomes effective and has determined there is no impact of the new standard on its results of operations and financial position.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company plans to adopt this new standard when it becomes effective and has determined there is no impact of the new standard on its results of operations and financial position.

Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company plans to adopt this new standard when it becomes effective and has determined there is no impact of the new standard on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements - continued

IFRS 13 Fair Value Measurement ("IFRS 13") replaces the guidance on fair value measurement in existing IFRS accounting measurement with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company plans to adopt this new standard when it becomes effective and has determined there is no impact of the new standard on its results of operations and financial position.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company plans to adopt this new standard when it becomes effective and has determined there is no impact of the new standard on its results of operations and financial position.

Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company plans to adopt this new standard when it becomes effective and is currently assessing the impact of this standard.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. The Company had no cash equivalents at December 31, 2012 and 2011.

5. EXPLORATION AND EVALUATION ASSETS

The Company holds interests in the following mineral properties in Ghana and Mali:

Ayaco License ("the Ayaco License") (also known as the Mankranho License)

In November 2012, the Company announced the sale of its interest in Mankranho and this asset has been reclassified to Asset Classified as Held for Sale (see Note 10).

5. EXPLORATION AND EVALUATION ASSETS - continued

Twedee and Pekyi Licenses ("the Twedee License") (also known as the Arziki License)

The Company through its Ghanaian subsidiary "Arziki Mining Ltd." owns a 100% interest in the Twedee License which is subject to a 10% interest by the Government of Ghana. The Company is in the process of commuting the reconnaissance license held to a prospecting license which requires dividing the existing property in two halves and individually applying for a prospecting license. The projects will be identified as Tweedee and Pekyi. AGG has paid the required fee of GHC 1,000 to the Ghana Minerals Commission and is awaiting ministerial approval on this matter.

Nyankumasi Concession

On October 1, 2004, CME Ghana Ltd, entered into an option agreement to acquire the "Nyankumasi" concession from Jelgom Mining Company Limited on behalf of the Company for a total consideration of $200,000. Under the terms of the agreement, the Company paid $5,000 on the signing of the agreement. In addition, the Company paid a one time quarterly fee of $15,000. Annual payments were required to be made over a period of 5 years or until production commences. All consideration required by the terms of the agreement has been satisfied to date and the property title transferred to a subsidiary of the Company.

The interest in the concession is subject to a 10% royalty interest to the Government of Ghana and a 3% net smelter royalty to Jelgom Mining Company. The "Nyankumasi" concession covers approximately 71 square kilometers and is situated in the northeastern section of the Ashanti gold belt, approximately 48 kilometers east of Anglo Gold Ashanti's Obuasi mine and approximately 30 kilometers south-southwest of Newmont Mining Corporation's Akyem Project.

5. EXPLORATION AND EVALUATION ASSETS - continued

Moseaso License ("the Moseaso License")

Pursuant to an Option Agreement dated May 30, 2003 entered into by the Company and Moseaso Mining Company Limited ("MMC"), the Company has the right to acquire 100% interest in the Moseaso License for a period up to May 30, 2008 subject to a 10% interest by the Government of Ghana and a 15% net profit interest by MMC with the option to pay $250,000 at the time of production and decrease the net profit interest due to MMC to 10%. All consideration required by the terms of the agreement has been satisfied to date.

Tropical License

Pursuant to an Option Agreement dated April 4, 2005 entered into by the Company and Tropical Minerals Co. Ltd ("Tropical"), the Company had the right to acquire 100% interest in the Tropical Prospecting License for a period up to April 30, 2009 subject to a 10% interest by the Government of Ghana and a 20% net profit interest by Tropical for a purchase price of $300,000. The "Tropical" License covers an area of 98.84 sq. km. and 36.91 sq. km. located in the Amansie West and Nkawie Districts respectively in the Ashanti Region.

The Company paid a signing fee of $3,000 and $145,000 towards the purchase of a 70% interest in the License as per the terms of the Agreement with the final payment of $ 15,000 being satisfied to date.

The Company is responsible for all exploration expenditures with a right of first refusal to purchase the 20% net profit interest of Tropical in the event Tropical decides to sell. The Company may at any time terminate the Agreement by providing one month's written notice without reimbursement.

As a result of an arbitration process completed on January 6, 2012 between the Company and Tropical, it was agreed that AGG would pay $500,000 to Tropical to have the deed of assignment transferred. Payment has been satisfied and the requisite documents filed with the Ghana Minerals to transfer Tropical’s assignment.

Manso Atwere License

On September 12, 2007, the Company entered into an option agreement with Gyampo Mining Company Limited (“GMCL”) to acquire 100% interest in a prospecting license for the Manso Atwere concession located in Ghana, West Africa for a 5 year period through September 12, 2012 subject to a 10% equity interest by the Government of the Republic of Ghana and a 10% net profit interest to GMCL for a purchase price of $450,000. The Company has received an extension of their license up to September 15, 2013. All consideration required by the terms of the agreement has been satisfied to date.

On March 23, 2011, the Company entered into an agreement with the Gyampo Mining Company Limited to purchase a 100% interest in a mineral license containing an area of approximately 6.8 square kilometres in the Amansic West District of the Ashanti Region in the Republic of Ghana for $120,000. All consideration required by the terms of the agreement has been satisfied to date.

5. EXPLORATION AND EVALUATION ASSETS - continued

Mali Concessions

On June 28, 2005, the Company entered into an agreement with Compagnie Miniere d'Or ('Cominor') SA of France to acquire a 100% interest in three exploration permits for three separate mineral concessions located in the Republic of Mali, West Africa. The purchase price paid for these three concessions was 750,000 Euros.

The three exploration permits consisted of:

(i) The Bagoe-West Concession, located in the Sikasso Region,
(ii) The Bagoe-East Concession, located in the Sikasso Region and,
(iii) The Kobada concession, located in the Kangaba Region.

Included in the purchase price are data based reference material gathered from exploration and development activities performed by Cominor on each of the concessions, and a variety of ground transportation and exploration equipment.

In January 2008, the Company received notification from the Government of Mali Mines, Energy and Water Department that the application to explore the Foroko and Acoma concessions had been approved. The properties are adjacent to the Kobada concession. In August 2012, all Mali permits were consolidated into one mining permit under the existing Acoma permit. The permit is valid to August 9, 2013 and renewable for two three year periods.

Exploration activities were suspended after consideration of the indirect impact of the March 22, 2012 political coup d'état in Mali. The Company continues to monitor the situation on a daily basis to determine when exploration activities may be resumed. The political situation in Mali appears to be stabilizing. Exploration activities are expected to resume as soon as normal commerce can be conducted and the security of personnel can be assured; however, no precise timetable for recommencement can be set at this time.

(Expressed in U.S. Dollars)

5. EXPLORATION AND EVALUATION ASSETS – continued

The following is a summary of the carrying amount of exploration and evaluation assets:

	Ayaco License	Twedee & Pekyi Licenses	Moseaso License	Nyankumasi Concession	Tropical License	Manso Atwere Licenses	Mali Concessions	Total
Balance at January 1, 2011	$ 3,689,700	$ 278,402	$ 1,494,483	$ 1,024,050	$ 1,198,588	$ 1,272,657	$ 11,787,341	$ 20,745,221
Exploration costs	13,894	62,641	150,563	106,234	178,736	492,315	4,996,488	6,000,871
Balance at December 31, 2011	**$ 3,703,594**	**$ 341,043**	**$ 1,645,046**	**$ 1,130,284**	**$ 1,377,324**	**$ 1,764,972**	**$ 16,783,829**	**$ 26,746,092**
Exploration costs	915,532	108,687	80,409	212,343	791,718	70,834	3,481,321	5,660,844
Unrecoverable exploration and evaluation assets	(1,094,126)	(178,383)	(684,394)	(115,578)	(860,341)	(728,164)	-	(3,660,987)
Reclassified to asset held for sale (Note 10)	(3,525,000)	-	-	-	-	-	-	(3,525,000)
Balance at December 31, 2012	**$ -**	**$ 271,347**	**$ 1,041,061**	**$ 1,227,049**	**$ 1,308,701**	**$ 1,107,642**	**$ 20,265,150**	**$ 25,220,949**

Based on existing market conditions of the Ghanaian licenses and concessions, the Company determined that certain exploration expenditures would not be recoverable and as a result of a fair market value analysis, recorded a write down on these assets of $3,660,987 (2011 - $nil) in the current year. The impairment was recognized based on the difference between the carrying value of the assets and their recoverable amounts. The recoverable amount was the higher of fair value less costs to sell or value in use. The fair value was estimated based on market prices for which the asset could be sold in a comparable arm's length transaction, less estimated costs to sell. Management's estimate of fair value is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Company's exploration and evaluation assets and may have a material effect on the Company's consolidated financial statements.

(Expressed in U.S. Dollars)

6. PROPERTY AND EQUIPMENT

	Computers	Furniture and Fixtures	Vehicles	Leasehold Improvements	Exploration Equipment	Total
Cost						
Cost at January 1, 2011	$ 47,501	$ 64,690	$ 154,249	$ -	$ -	$ 266,440
Additions	28,968	17,682	146,696	8,606	618,773	820,725
Cost at December 31, 2011	**$ 76,469**	**$ 82,372**	**$ 300,945**	**$ 8,606**	**$ 618,773**	**$ 1,087,165**
Additions		2,138	-	-	40,838	42,976
Cost at December 31, 2012	**$ 76,469**	**$ 84,510**	**$ 300,945**	**$ 8,606**	**$ 659,611**	**$ 1,130,141**
Accumulated Depreciation						
Cost at January 1, 2011	$ 27,428	$ 52,278	$ 54,500	$ -	$ -	$ 134,206
Additions	10,859	7,353	45,519	6,110	8,602	78,444
Balance at December 31, 2011	**$ 38,287**	**$ 59,631**	**$ 100,019**	**$ 6,110**	**$ 8,602**	**$ 212,650**
Additions	11,455	2,381	60,189	2,496	17,204	93,725
Balance at December 31, 2012	**$ 49,742**	**$ 62,012**	**$ 160,208**	**$ 8,606**	**$ 25,806**	**$ 306,374**
Net book value at December 31, 2011	**$ 38,182**	**$ 22,741**	**$ 200,926**	**$ 2,496**	**$ 610,171**	**$ 874,516**
Net book value at December 31, 2012	**$ 26,727**	**$ 22,498**	**$ 140,737**	**$ -**	**$ 633,805**	**$ 823,767**

As of December 31, 2012 exploration equipment includes a drill not in use of $608,520 (2011 - $567,160) for which no amortization has been taken to date.

(Expressed in U.S. Dollars)

7. RELATED PARTY TRANSACTONS

a) The Company incurred project management and consulting fees to CME, a company that is wholly-owned by a former director of the Company in prior years who resigned from AGG in July 2008. Unpaid management and consulting fees of $290,401 (2011 - $290,401) have been included in accounts payable and accrued liabilities.

b) Legal fees of $173,913 (2011 - $97,246) were charged by a legal firm in which one of the partners is a director of the Company of which $85,567 (2011 - $7,000) was unpaid and included in accounts payable and accrued liabilities at year end.

c) Legal and consulting fees of $620,000 (2011 - $47,500) were charged by a law firm in which one of the partners is a director of one of the subsidiaries for which $570,000 (2011 - $Nil) was unpaid and included in accounts payable and accrued liabilities.

d) Geological services were provided to the Company by one of its directors who charged $135,782 (2011 - $142,876). Unpaid fees of $45,591 (2011 - $18,516) is included in accounts payable and accrued liabilities.

e) On January 20, 2011, AGG loaned two of its directors an aggregate of CDN $295,000 in order to enable them to exercise 1,966,667 share purchase warrants of the Company at CDN $0.15 per share prior to their expiry on January 23, 2011 and January 29, 2011. The loans were repaid to the Company before December 31, 2011.

f) Included in accounts payable and accrued liabilities is $49,273 (2011 – due from related parties of $142,919) of amounts due to related parties, which share common directors with AGG. The balance is unsecured, non-interest bearing and due on demand. Subsequent to year end, all amounts were repaid. During the year, the Company paid one of the related parties $50,000 (2011 - $nil) for the use of a geologist. Balances owing from these related parties in 2011 were included separately in the consolidated statement of financial position as due from related parties.

g) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company was as follows:

	2012	2011
Remuneration	$ 634,982	$ 866,708
Share based payments	-	2,510
	$ 634,982	$ 869,218

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS

a) Shares Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

b) Transactions

(i) Exercise of Warrants – January 2011

In January 2011, 17,403,800 warrants were exercised at CDN$0.15 per warrant resulting in the issuance of 17,403,800 commons shares for cash proceeds of CDN$2,315,570 and notes receivable of CDN $295,000 as described in note 7(e). The share price on the date of exercise was CDN $0.90.

(ii) Exercise of Compensation Units – January 2011

In January 2011, 800,000 compensation units were exercised at CDN$0.60 per option resulting in the issuance of 800,000 common shares for proceeds of CDN$480,000. The share price on the date of exercise was CDN $0.77.

(iii) Exercise of Stock Options – February 2011

In February 2011, 200,000 stock options were exercised at CDN$0.10 per option resulting in the issuance of 200,000 common shares for proceeds of CDN$20,000. The share price on the date of exercise was CDN $0.85.

c) Stock Options

The Company has a Stock Option Plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 11,556,000 common shares, representing approximately 10% of the total issued and outstanding common shares of the Company as of May 27, 2011. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements.

(Expressed in U.S. Dollars)

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

c) Stock Options - continued

On March 9, 2011, AGG granted 125,000 stock options to a consultant of the Company at an exercise price of CDN$0.91 for a period of 5 years from the date of issuance. The fair value attributed to the stock options granted was $87,492 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 99%, risk free rate of return of 2.38% and an expected life of 5 years.

On April 20, 2011, AGG granted 250,000 stock options to a consultant of the Company at an exercise price of CDN$0.90 for a period of 3 years from the date of issuance. The fair value attributed to the stock options granted was $157,610 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 118%, risk free rate of return of 1.74% and an expected life of 3 years.

As at December 31, 2012, the Company had stock options outstanding as follows:

Date of Grant	Stock Options (#)	Exercise Price (CDN$)	Expiry Date
March 10, 2008	850,000	1.20	March 10, 2013
April 1, 2009	2,350,000	0.10	April 1, 2014
April 22, 2009	200,000	0.15	April 22, 2014
October 22, 2009	125,000	0.41	October 22, 2014
April 28, 2010	1,725,000	0.60	April 28, 2015
October 26, 2010	125,000	0.60	October 26, 2013
December 24, 2010	360,000	0.92	December 24, 2015
March 9, 2011	125,000	0.91	March 9, 2016
April 4, 2011	250,000	0.90	April 4, 2014
	6,110,000		

A summary of the Company's stock option activity during the period is as follows:

	Weighted Average Options	Weighted Average Exercise Price (CDN$)
Outstanding – January 1, 2011	6,190,000	0.48
Exercised	(200,000)	0.10
Expired	(225,000)	0.76
Granted	375,000	0.90
Outstanding – December 31, 2011	6,140,000	0.51
Expired	(30,000)	0.92
Outstanding and vested – December 31, 2012	6,110,000	0.51

Subsequent to year end, the Company granted 3,580,000 stock options to directors, consultants and employees an exercise price of $0.20 for a period of five years ending February 5, 2018.

(Expressed in U.S. Dollars)

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

d) Warrants and Compensation Units

A summary of the Company's warrant and compensation units activity during the year is as follows:

Outstanding – January 1, 2011	**32,907,800**
Granted	400,000
Exercised	(18,203,800)
Expired	(5,300,000)
Outstanding – December 31, 2011	**9,804,000**
Expired	(9,804,000)
Outstanding – December 31, 2012	**-**

As a result of the 800,000 compensation units being exercised on January 27, 2011, 400,000 warrants were issued, entitling the holder to purchase one common share with each warrant exercised at an exercise price of $0.90 for a period, which expired on June 16, 2011.

9. BASIC AND DILUTED LOSS PER SHARE

Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For the 2012 and 2011 periods presented, the conversion of warrants and stock options was not included in the calculation because the calculation would be anti-dilutive. The potentially dilutive shares excluded from the loss per share calculation due to antidilution are as follows:

	2012	2011
Options	6,110,000	6,140,000
Share purchase warrants	-	9,804,000
Total potentially dilutive shares	6,110,000	15,944,000

10. ASSET CLASSIFIED AS HELD FOR SALE

In November 2012, the Company announced the sale of its Mankranho gold concession located in Ghana to Newmont Ghana Gold Limited for proceeds of $4,000,000 of which a deposit of $950,000 was received in December 2012 and included in Liabilities of assets classified as held for sale. The remaining balance of the proceeds was received subsequent to year end. As a result, the asset has been written down by $1,094,126 to fair value less costs to sell and was disposed of in January 2013.

(Expressed in U.S. Dollars)

11. INCOME TAXES

The following table summarizes the differences from the Canadian statutory rate of approximately 26.5% (2011 – 28%), the primary area of taxation for the entity, to the Company's current tax provision recorded.

	2012	2011
Net loss for the year	$ (5,921,150)	$ (1,720,905)
Expected income recovery at statutory rates	(1,569,105)	(481,853)
Adjustments resulting from:		
Permanent differences and other	168,063	75,912
Change in tax rates	(242,646)	(109,376)
Losses expired/changed	28,988	424,350
Foreign currency differences	(8,067)	48,560
Change in unrecognized deferred tax asset	1,622,766	42,407
Provision for income taxes	$ -	$ -

The change in the Canadian statutory rate over the prior year is the result of a reduction in the federal and provincial tax rates.

The nature and tax effect of the temporary differences giving rise to the deferred income tax assets at December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Plant and equipment	$ 36,010	$ 25,090
Share issuance costs	233,314	357,394
Non-capital losses carried forward	4,948,952	4,272,197
Exploration and evaluation assets	2,779,499	1,758,728
Foreign exchange differences	35,789	(2,613)
	8,033,563	6,410,796
Unrecognized deferred tax assets	(8,033,563)	(6,410,796)
Deferred tax asset	$ -	$ -

(Expressed in U.S. Dollars)

11. INCOME TAXES - continued

As at December 31, 2012, the Company has available non-capital losses of approximately $18,824,000 that may be carried forward to reduce taxable income derived in future years. These tax losses will expire as follows:

2013	$ 735,000
2014	2,006,000
2015	2,371,000
2016	374,000
2017	287,000
2018	120,000
2019	28,000
2020	22,000
2021	19,000
2026	1,637,000
2027	2,089,000
2028	1,094,000
2029	1,845,000
2030	2,751,000
2031	1,607,000
2032	1,839,000
	$ 18,824,000

The potential benefits of these carry-forward non- capital losses, capital losses and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recorded.

12. CAPITAL MANAGEMENT

AGG manages its shareholders' equity as capital, making adjustments based on available funds, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. AGG will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended December 31, 2012. Neither AGG nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

(Expressed in U.S. Dollars)

13. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious and based metal mineral resources properties located in Ghana and Mali.

Geographic segmentation of property and equipment and exploration and evaluation assets is as follows:

	December 31, 2012			
	Canada	Ghana	Mali	Total
Exploration and evaluation assets	$ -	$ 4,955,799	$ 20,265,150	$ 25,220,949
Asset classified as held for sale	-	3,525,000	-	3,525,000
Property and equipment	15,669	66,010	742,088	823,766
	$ 15,669	$ 8,546,809	$ 21,007,238	$ 29,569,715

	December 31, 2011			
	Canada	Ghana	Mali	Total
Exploration and evaluation assets	$ -	$ 9,962,263	$ 16,783,829	$ 26,746,092
Property and equipment	20,301	92,767	761,447	874,515
	$ 20,301	$ 10,055,030	$ 17,545,276	$ 27,620,607

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and commodity price risk.

Foreign Currency Risk

Given the global nature of the Company's business, the Company's operating businesses, financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations. Currently the Company does not hedge its foreign exchange risk. For 2012, management estimates that if the United States Dollar had weakened or strengthened by 10% against the Canadian dollar, Ghana Cedi and Mali CFA, assuming all other variables remained constant, the net loss would have increased or decreased by approximately $360,000 (2011 - $355,000). Included in cash and cash equivalents is $216,357 (2011 - $2,424,911), receivables is $26,207 (2011 - $61,665), due from related party $nil (2011 - 133,890) and accounts payable and accrued liabilities is $332,368 ($2011 - $300,890) denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Sensitivity to a plus or minus 1% change in the interest rates could impact any renewals or extensions of term deposits which would have no significant impact on the net loss due to the immateriality of the interest earned.

(Expressed in U.S. Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

At December 31, 2012, AGG had a cash and receivable position of $839,925 and current liabilities of $3,294,653. As outlined in Note 2, the Company will be required to obtain additional financing.

The following is a summary of the Company's material contractual obligations (representing undiscounted contractual cash flows):

Due within	1 Year	2 Years	3 Years	Over 4 Years	Total
Accounts payable	$ 1,974,653	$ -	$ -	$ -	$ 1,974,653
Liabilities as to assets classified as held for sale	370,000	-	-	-	370,000
Feasibility study	2,360,852	-	-	-	2,360,852
Operating lease	59,052	59,052	-	-	118,104
	$ 4,764,557	$ 59,052	$ -	$ -	$ 4,823,609

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents, and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at a single major financial institution. Credit risk on cash and cash equivalents is minimized by depositing with only reputable financial institutions.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash and cash equivalents, short term investments, receivables, amounts due from related party and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset and liability that are not based on market data (unobservable inputs).

The Company held no financial instruments at fair value at December 31, 2012 and 2011.

15. COMMITMENTS AND CONTINGENCY

In 2005, the Company was named defendant in a lawsuit filed in the Federal Courts of Ghana. The defendants in the case were required to pay to the plaintiff the sum of $73,000 and GHC 3,000. As of the year end, these settlement amounts have been fully paid to the plaintiff. The plaintiff still claims that interest is due and payable on that sum, and has called on the Company as the garnishee to do so. This is not considered likely and therefore no amounts have been accrued in the consolidated financial statements.

See note 5 for additional commitments and option payments on exploration and evaluation assets.

The Company has signed an agreement for a cost of CDN $2,348,873 to complete a feasibility study on its Kobada property.

The Company is required to pay $40,000 for each of the properties located in Ghana to effect the transfer of exploration licenses.

In July 2012, the Company executed a lease for premises for its Toronto office for the period from August 1, 2012 to July 31, 2014. The terms require the first year rent to be paid in advance being $118,000 and monthly payments of $9,833 thereafter.