# AFRICA WEST MINERALS CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

**May 31, 2009 and 2008**

HAY & WATSON | Chartered Accountants
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# AUDITORS' REPORT

To the Shareholders of
Africa West Minerals Corp.

We have audited the consolidated balance sheets of Africa West Minerals Corp. as at May 31, 2009 and 2008 and the consolidated statements of operations and deficit, of cash flows, of mineral property interests, and of deferred exploration expenditures for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial positions of the Company as at May 31, 2009 and 2008 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
September 23, 2009

**AFRICA WEST MINERALS CORP.**
**CONSOLIDATED BALANCE SHEETS**
**May 31**

| | 2009 | 2008 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 2) | $ 36,490 | $ 731,909 |
| Accounts receivable | 5,790 | 14,592 |
| Prepaid expenses | 3,960 | 4,536 |
| Deferred costs | - | 29,830 |
| | 46,240 | 780,867 |
| **Loan to Gold Rim Exploration Inc.** (Note 1) | - | 250,000 |
| **Equipment** (Note 4) | 68,466 | 97,771 |
| **Mineral Property Advances** | 99,673 | - |
| **Mineral Property Interests** (Statement) (Note 5) | 1,975,819 | 351,920 |
| **Deferred Exploration Expenditures** (Statement) | 881,013 | 1,058,884 |
| | $ 3,071,211 | $ 2,539,442 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities (Note 7) | $ 61,088 | $ 121,335 |
| Loans payable (Note 7) | - | 2,000 |
| | 61,088 | 123,335 |
| **Future Income Taxes** | 368,000 | - |
| | 429,088 | 123,335 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share capital** (Note 6(b)) | 4,132,753 | 2,145,448 |
| **Share subscriptions** (Note 6(b)) | - | 674,085 |
| **Contributed Surplus** (Note 6(b)) | 359,402 | 51,515 |
| **Deficit** | (1,850,032) | (454,941) |
| | 2,642,123 | 2,416,107 |
| | $ 3,071,211 | $ 2,539,442 |

**Approved By The Directors:**

*"James T Gillis"* **Director**

*"Christopher J Wild"* **Director**

## AFRICA WEST MINERALS CORP.
## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

| | For the twelve months ended May 31, 2009 | For the five months ended May 31, 2008 |
|---|---|---|
| **Administrative Expenses** | | |
| Advertising and promotion | $ 3,170 | $ 13,424 |
| Amortization of equipment | 53 | 8,076 |
| Consulting fees | 28,970 | 4,215 |
| Corporate development | | |
| – cash | 1,064 | 1,358 |
| – stock based compensation | 8,926 | - |
| Dues, conferences and subscriptions | 1,579 | 9,486 |
| Interest and bank charges (Note 7) | 1,532 | 879 |
| Management fees (Note 7) | 55,500 | 22,725 |
| Office, clerical and sundry | 4,484 | 4,548 |
| Professional fees (Note 7) | 58,465 | 33,707 |
| Rent and telephone (Note 7) | 10,316 | 3,827 |
| Stock based compensation | 46,899 | - |
| Wages and benefits | 31,283 | 10,048 |
| Transfer agent and filing fees | 32,638 | 10,788 |
| Travel | 263 | 17,289 |
| Write down of mineral properties (Note 5) | 1,113,826 | - |
| **Loss before other item** | (1,398,968) | (140,370) |
| **Other item** | | |
| Interest income | 3,877 | 2,653 |
| **Net loss and comprehensive loss for the period** | (1,395,091) | (137,717) |
| **Deficit, beginning of period** | (454,941) | (317,224) |
| **Deficit, end of period** | $ (1,850,032) | $ (454,941) |
| **Basic and diluted loss per share** | (0.04) | (0.01) |
| **Weighted average number of common shares outstanding** | 35,275,883 | 20,546,988 |

**AFRICA WEST MINERALS CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the twelve months ended May 31, 2009 | For the five months ended May 31, 2008 |
|---|---|---|
| **Cash Provided By (Used For):** | | |
| **Operating Activities** | | |
| Net loss | $ (1,395,091) | $ (137,717) |
| Items not requiring cash: | | |
| Amortization | 53 | 8,076 |
| Stock based compensation | 55,825 | - |
| Write down of mineral properties (Note 5) | 1,113,826 | - |
| Net change in non-cash working capital items | | |
| Accounts receivable | 8,802 | (14,563) |
| Accounts payable and accrued liabilities | (60,247) | (22,253) |
| Prepaid expenses | 576 | (3,274) |
| Deferred costs | 29,830 | (29,830) |
| Cash used for operating activities | (246,426) | (199,561) |
| **Investing Activities** | | |
| Advances for mineral properties | (99,673) | - |
| Acquisition of mineral property interests | (399,611) | - |
| Deferred exploration expenditures paid | (615,222) | (305,938) |
| Loan to Gold Rim Exploration Inc (Note 1) | - | (250,000) |
| Cash received on acquisition of subsidiary company, net of amount paid for reverse takeover costs (Note 1) | - | 666,553 |
| Equipment purchases | - | (82,269) |
| Cash provided by (used for) investing activities | (1,114,506) | 28,346 |
| **Financing Activities** | | |
| Repayment of loans payable and deposit | (2,000) | (75,000) |
| Shares issued for cash | 667,513 | 302,100 |
| Share subscriptions received | - | 674,085 |
| Cash provided by financing activities | 665,513 | 901,185 |
| **(Decrease) increase in cash** | (695,419) | 729,970 |
| **Cash and equivalents, beginning of period** | 731,909 | 1,939 |
| **Cash and equivalents, end of period** | $ 36,490 | $ 731,909 |
| **Supplemental cash flow information** | | |
| Cash paid for: | | |
| Interest | $ 77 | $ 551 |
| Non-cash transactions | | |
| Share issue costs | 228,956 | 24,884 |
| Shares issued for acquisition of Gold Rim Exploration Inc. | 840,000 | - |

## AFRICA WEST MINERALS CORP.
### CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS

| | May 31, 2008 | Additions | Write Down (Note 5) | May 31, 2009 |
|---|---|---|---|---|
| Gedabo Property, Liberia | $ 174,007 | $ - | $ (174,007) | $ - |
| Kakamega Property, Kenya | - | 599,200 | - | 599,200 |
| Kanweaken Property, Liberia | 177,913 | - | (71,387) | 106,526 |
| Ngira Migori Property, Kenya | - | 2,281 | - | 2,281 |
| Nyakaqwe Property, Tanzania | - | 1,258,446 | - | 1,258,446 |
| Ugunja Property, Kenya | - | 9,366 | - | 9,366 |
| | $ 351,920 | $ 1,869,293 | $ (245,394) | $ 1,975,819 |

| | December 31, 2007 | Additions | May 31, 2008 |
|---|---|---|---|
| Gedabo Property, Liberia | $ 174,007 | $ - | $ 174,007 |
| Kanweaken Property, Liberia | 177,913 | - | 177,913 |
| | $ 351,920 | $ - | $ 351,920 |

**AFRICA WEST MINERALS CORP.**
**CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES**

| | For the twelve months ended May 31, 2009 | For the five months ended May 31, 2008 |
|---|---|---|
| **Gedabo Property, Liberia** | | |
| Opening balance | $ 479,027 | $ 353,225 |
| Administration | 7,551 | 5,444 |
| Camp | (1,092) | 32,497 |
| Communication | 5,453 | 6,269 |
| Field supplies | 534 | 1,947 |
| Geochemical | 19,116 | 24,501 |
| Rent | 3,085 | - |
| Travel | 20,781 | 15,832 |
| Wages and consultants | 72,823 | 39,312 |
| Recovered costs | (39,450) | - |
| Write down (Note 5) | (567,828) | - |
| Ending balance | - | 479,027 |
| **Kanweaken Property, Liberia** | | |
| Opening balance | 476,572 | 353,225 |
| Administration | 5,273 | 5,444 |
| Camp | 1,185 | 32,901 |
| Communication | 3,586 | 3,412 |
| Field supplies | 534 | 1,946 |
| Geochemical | 19,116 | 24,501 |
| Rent | 3,085 | - |
| Travel | 20,780 | 15,831 |
| Wages and consultants | 74,800 | 39,312 |
| Recovered costs | (38,863) | - |
| Write down (Note 5) | (283,034) | - |
| Ending balance | 283,034 | 476,572 |
| **Nyakagwe Property, Tanzania** | | |
| Opening balance | 103,285 | - |
| Administration | 7,688 | - |
| Camp | 59,204 | - |
| Communication | 3,633 | - |
| Drilling | 58,019 | - |
| Field supplies | 12,909 | - |
| Geochemical | 45,331 | 103,285 |
| Rent | 14,774 | - |
| Travel | 33,277 | - |
| Wages and consultants | 205,845 | - |
| Ending balance | 543,965 | 103,285 |

**AFRICA WEST MINERALS CORP.**
**CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES**

| | For the twelve months ended May 31, 2009 | For the five months ended May 31, 2008 |
|---|---|---|
| **Kakamega Property, Kenya** | | |
| Opening balance | - | - |
| Administration | 7,410 | - |
| Camp | 3,591 | - |
| Communication | 1,301 | - |
| Field supplies | 1,221 | - |
| Geochemical | 1,185 | - |
| Travel | 14,668 | - |
| Wages and consultants | 4,886 | - |
| Ending balance | 34,262 | - |
| **Ngira Migori Property, Kenya** | | |
| Opening balance | - | - |
| Administration | 50 | - |
| Camp | 3,742 | - |
| Communication | 395 | - |
| Field supplies | 3,647 | - |
| Travel | 8,533 | - |
| Wages and consultants | 3,260 | - |
| Ending balance | 19,627 | - |
| **Ugunja Property, Kenya** | | |
| Opening balance | - | - |
| Administration | 48 | - |
| Ending balance | 48 | - |
| **Sotik Property, Kenya** | | |
| Opening balance | - | - |
| Administration | 77 | - |
| Ending balance | 77 | - |
| | $ 881,013 | $ 1,058,884 |

## 1. Nature of Operations

Africa West Minerals Corp. ("AWMC (Old)") was incorporated in the Province of British Columbia on September 28, 2004 as Liberian Gold Corporation and changed its name to Africa West Minerals Corp. (the "Company") on June 28, 2006.

Since inception, the Company has investigated mineral prospects in Liberia, Tanzania and Kenya and, to date, has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral properties and is considered to be in the exploration stage.

AWMC (Old) incorporated two subsidiary companies, Liberian Gold Corporation Ltd (a British Virgin Islands corporation) ("LGC-BVI") and Liberian Gold Corporation Inc. (a Liberian corporation 100% owned by LGC-BVI). Liberian Gold Corporation Inc. holds the rights to the Company's interest in the Gedabo and Kanweaken exploration permits.

AWMC (Old) entered into an agreement with Villanova Capital Corp. ("Villanova") dated October 5, 2007 and completed on January 28, 2008 pursuant to which the shareholders of AWMC (Old) acquired control of Villanova, a company listed on the TSX Venture Exchange, through a reverse takeover ("RTO") pursuant to which:

- **(a)** Each issued and then outstanding common share of AWMC (Old) was exchanged for one common share of Villanova, resulting in the issue of 11,282,067 common shares of Villanova to the shareholders of AWMC (Old)
- **(b)** Villanova was renamed Africa West Minerals Corp. (AWMC (New)) and the original Africa West Minerals Corp. was renamed Liberian Gold Corporation.
- **(c)** The outstanding 10,250,000 common shares of Villanova and options and warrants to acquire up to 1,200,000 common shares remained unchanged.
- **(d)** A finder's fee of 100,000 common shares, at a deemed value of $24,884, was issued to an arms' length party for introducing Villanova to AWMC (Old).
- **(e)** AWMC (Old) and Villanova obtained the approval of the transactions described in (a) through (c) above from its shareholders and the appropriate regulatory authorities, including approval of the transaction as a "qualifying transaction" of Villanova by the TSX Venture Exchange.

On completion of the RTO, AWMC (New) had a total of 21,632,067 common shares issued, outstanding options to purchase 1,000,000 common shares (Note 6(c)), and outstanding warrants to purchase 200,000 common shares (Note 6(d)), of which 50.1% of the common shares were held by previous holders of AWMC's (Old) shares and Subscription Receipts and 49.9% were held by previous Villanova shareholders. All of the options were held by the previous holders of Villanova options.

In accordance with Canadian generally accepted accounting principles, AWMC (Old) was identified as the acquirer at the completion of the RTO since the previous shareholders of AWMC (Old) effectively acquired control of AWMC (New), the legal parent company. Accordingly, the authorized share capital and capital structure presented in these consolidated financial statements is that of AWMC (New), the legal parent, the issued share capital is that of AWMC (Old), the legal subsidiary, and the comparative figures include the operations of AWMC (Old) to the date of completion of the RTO as that company is considered to be the continuing company.

The fair values of the net assets of Villanova deemed to have been acquired by AWMC (Old) on the RTO were:

| | |
|---|---|
| Cash | $ 791,330 |
| Accounts receivable | 8,099 |
| Accounts payable | (44,575) |
| | $ 754,854 |

The Company entered into an agreement on February 21, 2008 with Gold Rim Exploration Inc. ("Gold Rim"), a company with mineral properties in Kenya and Tanzania, to acquire all of the outstanding shares of Gold Rim in exchange for 4,200,000 common shares of the Company. On that date the Company also advanced Gold Rim $250,000 to enable it to satisfy its mineral property obligations. The Company incurred geological consulting and other costs of $103,285 on Gold Rim's mineral properties between February 21 and May 31, 2008, which have been recorded at May 31, 2008 as deferred exploration expenditures.

The purchase of Gold Rim was completed on June 9, 2008 and the common shares of the Company issued for the purchase were assigned a fair value of $840,000, based on the average trading price of the shares for the period covering four days before and after the announcement of the acquisition. The fair values of the assets and liabilities acquired on the purchase were:

| | | |
|---|---|---|
| Cash | $ | - |
| Mineral properties | | 1,458,000 |
| | | 1,458,000 |
| Liabilities | | (250,000) |
| Future income tax liability | | (368,000) |
| | $ | 840,000 |

The initial purchase price allocation reported in the notes to the May 31, 2008 consolidated financial statements differ from these amounts for a reduction of liabilities assumed and of cash acquired, a reduction in the future income tax liability and, consequently, a reduction of the portion of the purchase price allocated to mineral properties.

These consolidated financial statements have been prepared on the going concern basis, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a net loss of $1,395,091 for the year ended May 31, 2009 and a working capital deficiency of $14,848 at May 31, 2009. The ability of the Company to continue as going concern is in doubt and is dependant upon the continued support from its directors and its ability to continue to raise sufficient financing. Management is seeking equity financing and joint venture opportunities, the outcome of which cannot be predicted at this time. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue operations.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

### Basis of Consolidation

These financial statements include the accounts of Africa West Minerals Corp. and its wholly-owned subsidiaries, Liberian Gold Corporation Ltd., Liberian Gold Corporation Inc., Gold Rim Exploration Inc., and Gold Rim Exploration Kenya Ltd. (individually and collectively referred to as the "Company").

### Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the reporting period. Actual results could differ from those estimates.

Items involving substantial measurement uncertainty are the estimated fair values of accounts receivable and accrued liabilities, the loans receivable and payable, the recoverability of mineral property interests and their related deferred exploration expenditures, the provision for future site restoration and abandonment costs, the provision for future income taxes, the determination of stock-based compensation and the valuation of warrants. By their nature, these estimates are subject to future changes and the impact of those changes on the consolidated financial statements could be material.

### Cash and Cash Equivalents

Cash equivalents consist of temporary investments that are highly liquid and are readily convertible to known amounts of cash and have maturities of ninety days or less at the time of acquisition. Cash equivalents are carried at their carrying amounts, which estimate their fair values. As at May 31, 2009 cash and cash equivalents of $6,063 (May 31, 2008 $46,597) are held in US dollars and are reported in these consolidated financial statements at their Canadian dollar equivalent.

| | **2009** | **2008** |
|---|---|---|
| Cash | $ 36,490 | $ 101,506 |
| Money market funds | - | 630,403 |
| | $ 36,490 | $ 731,909 |

**Financial Assets and Financial Liabilities**

The Company's financial assets and financial liabilities are classified as follows:

- Cash equivalents are classified as "held to maturity". They are measured at amortized cost. At May 31, 2009 and 2008 the recorded amounts approximate fair value.
- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At May 31, 2009 and 2008 the recorded amounts approximate fair value.
- Accounts payable and loans payable are classified as "other financial liabilities" and are measured at amortized cost. At May 31, 2009 and 2008 the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

The Company retains and/or has obligations related to certain carried interest rights to mineral properties and net smelter royalties, the values of which are derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine their fair values.

**Mineral Property Interests and Deferred Exploration Expenditures**

The cost of mineral property interests and their related direct exploration expenditures are capitalized until the properties are placed into production, sold or abandoned. These deferred expenditures will be amortized on a unit-of-production basis over the estimated recoverable reserves from the properties following the commencement of production, or written-off if the properties are allowed to lapse or abandoned. Mineral property interest sale and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves.

Cost includes the cash consideration paid and the fair value of common shares issued on the acquisition of mineral property interests. The recorded costs of mineral property interests and their related deferred exploration expenditures represent costs incurred, and are not intended to reflect present or future values. The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing. The Company reviews the capitalized costs of its mineral property interests and related deferred exploration expenditures on a periodic basis and will recognize an impairment in value based upon current exploration or production results, if any, and upon management's assessment of the probability of future net cash flows from the interests or from the sale of the interests. Management's assessment of the interests' estimated current fair value is also based upon its review of other property transactions in the same geographic area.

**Environmental Expenditures**

The Company applies the standard of accounting for asset retirement obligations whereby the Company estimates, when a reasonable estimate can be made, the fair value of site restoration and clean-up costs for mineral property interests and reflects this amount in the cost of the mineral property interest acquired. The liability accretes over time through periodic charges to operations or mineral property interest costs. After the first year, the Company adjusts the carrying amounts of the assets and the liability for changes in estimates of the amount or timing of underlying future cash flows.

It is possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis.

There were no accrued reclamation costs as at May 31, 2009 and 2008.

**Equipment**

Equipment is recorded at cost and is amortized using the declining balance method at the rates disclosed in Note 4. In the period of acquisition one half of the normal rate is applied and in the period of disposal no amortization is provided.

**Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences) and for the future tax benefit of loss carry forwards. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse and when the benefit of loss carry forwards are expected to be realized. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

**Foreign Currency Translation**

Monetary assets and liabilities denominated in a foreign currency are translated at the year end rates of exchange. All other foreign currency assets and liabilities are translated at the rate prevailing on the dates the assets were acquired or the liabilities were incurred. Revenues and expenses are translated at the exchange rate in effect on the dates they occur. Translation gains and losses for the period are included in operations.

**Stock-Based Compensation**

The Company used the fair value method of accounting for stock-based compensation awards made to directors, officers, employees and consultants. Under the fair value method, compensation costs, equal to the fair value of share purchase options on the date of grant, are recorded in operations, at the date of grant for options granted to consultants and over the vesting periods for all other options, with an offsetting credit to contributed surplus. Consideration received upon exercise of the options is recorded as share capital and the contributed surplus related to the recognized fair value of the options which have been exercised is transferred to share capital.

**Earnings or Loss Per Share**

Basic earnings or loss per share are calculated using the weighted average number of common shares of the Company that were outstanding in each reporting period. The diluted earnings per share, which is disclosed only if dilutive, includes the potential dilution from outstanding options and share purchase warrants and is calculated using the treasury stock method and the weighted average number of shares outstanding. The diluted loss per share is the same as the basic loss per share.

**Comparative Figures**

The comparative figures have been reclassified to conform to the presentation adopted at May 31, 2009.

## 3. New Accounting Pronouncements

On June 1, 2008, the Company adopted four new accounting standards described in Section 1400 *General Standards of Financial Statement Presentation*, Section 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The requirements of these new standards and an Emerging Issues Committee ("EIC") abstract applicable to the Company are:

### (a) Capital disclosures

Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any external capital requirements and, if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management has been included in Note 12.

### (b) Financial Instruments - Disclosures and Financial Instruments– Presentation

Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments - Disclosure and Presentation* revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 requires disclosure which enable users to evaluate the significance of financial instruments on the entity's financial position and performance, the nature and extent of and exposure to risks arising from financial instruments and how the entity manages those risks. As a result of the adoption of this standard, additional disclosure on these risks has been included in Note 11 to the consolidated financial statements.

Section 3863 establishes standards for the presentation and classification of financial instruments and non-financial derivatives. The adoption of this standard did not have any impact on the classification or presentation of the Company's consolidated financial instruments.

New accounting pronouncements issued by the CICA and which the Company intends to evaluate and, when applicable, adopt in the preparation of its future financial statements are:

### (c) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 *Goodwill and Intangible Assets* replacing Section 3062 *Goodwill and Other Intangible Assets* and Section 3450 *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

This section is effective in the first quarter of the 2010 fiscal year. The adoption of this section is not currently expected to affect the Company's financial statements.

**(d) Business combinations**

In January 2009 the CICA issued Section 1582 *Business Combinations*, Section 1601 *Consolidated Financial Statements* and Section 1602 *Non-Controlling Interests* replacing Section 1581 *Business Combinations* and Section 1600 *Consolidated Financial Statements*. The new standards, equivalent to the standards under International Financial Reporting Standards, have shifted from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

These sections are applicable to business combinations with acquisition dates on or after January 1, 2011 and for the Company's consolidated financial statements for its fiscal year beginning June 1, 2011. Adoption of these sections is not expected to affect the Company.

**(e) Convergence with International Financial Reporting Standards**

In 2006, the Accounting Standards Board of the Canadain Institute of Chartered Accountants ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is conducting a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and developing an implementation plan.

## 4. Equipment

| | | | 2009 | |
|---|---|---|---|---|
| | **Amortization Rates** | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| Automotive equipment | 30% | $ 138,183 | $ 69,929 | $ 68,254 |
| Furniture and equipment | 20% | 501 | 289 | 212 |
| | | $ 138,684 | $ 70,218 | $ 68,466 |

| | | | 2008 | |
|---|---|---|---|---|
| | **Amortization Rates** | **Cost** | **Accumulated Amortization** | **Net Book Value** |
| Automotive equipment | 30% | $ 138,183 | $ 40,677 | $ 97,506 |
| Furniture and equipment | 20% | 501 | 236 | 265 |
| | | $ 138,684 | $ 40,913 | $ 97,771 |

**5. Mineral Property Interests**

**(a) Gedabo Property, Liberia:**

The Government of the Republic of Liberia had granted to the Company's indirectly owned subsidiary, Liberian Gold Corporation Inc., mineral exploration rights over approximately 960 square kilometers on the eastern side of the Gedabo area, situated in the Maryland and River Gee Counties, Republic of Liberia. The Company abandoned these mineral exploration rights on June 2, 2009.

**(b) Kanweaken Property, Liberia:**

The Government of the Republic of Liberia had granted to the Company's indirectly owned subsidiary, Liberian Gold Corporation Inc., mineral exploration rights over approximately 1,000 square kilometers in the Grand Kru, Maryland and River Gee Counties, Republic of Liberia.

The exploration licenses for the Kanweaken property are included in the terms of Mineral Exploration Agreements (MEA) issued by the Government of the Republic of Liberia. The license includes rights to all mineral commodities on the property. The MEA has a term of three years (Exploration Period) from March 22, 2005, which was subsequently extended by two years, to June 9, 2010. Pursuant to the extension of the MEA, the Company was required to reduce the size of the license by 50% as of June 12, 2008. On June 2, 2009 the Company reduced the size of the Kanweaken Property by another 50% to 250 square miles.

The Company pays an annual renewal fee of US$5,000 per Exploration License on or before each of June 9, 2009 and June 9, 2010, annual rental fees of a maximum amount of US$11,120 on or before each of June 9, 2009 and June 10, 2010 and has to incur annual exploration expenditures of up to US$247,100 on and before each of June 9, 2009 and June 9, 2010. In the event that Africa West decides to abandon any part of the property, the annual rental fees and expenditures will decrease correspondingly. The Company is also obligated to pay US$3.00 per acre for all areas on which a pilot mining project is being conducted. As of the date of these financial statements, the Company has not conducted any pilot mining on the Kanweaken properties.

The Company shall also pay a royalty of 3% on any gold or diamonds sold to the Government. Royalties on other commodities are to be negotiated.

The Company signed a Mining Option Agreement with Cassidy Gold Corp. ("Cassidy"), a company with directors in common, on November 10, 2008 pursuant to which Cassidy has an option to acquire a 60% interest in the Company's mining concessions in Liberia. As part of the consideration payable under this agreement, Cassidy has purchased, in cash, 1,000,000 common shares of the Company at a price of $0.10 per share.

In order to maintain the Option Agreement, Cassidy was required to fulfill Africa West's obligations under the relevant license agreements. On June 12, 2009, the Company received notice from Cassidy Gold Corp that it has terminated the option.

The Company entered into an option agreement dated July 13, 2009 with Providence Capital Corp. ("Providence"), a company with a director in common, for the acquisition of a 60% interest (the "Option") in the Kanweaken Property. Providence paid the Company $25,000 upon acceptance by the TSX Venture Exchange (the "Exchange") of the Option. In order to maintain the Option, Providence is required to fulfill the Company's obligations under the Kanweaken Licence agreement, paying certain annual renewal and rental fees of approximately US$17,500 on or before June 9, 2010 and incurring minimum expenditures of US$123,550 on or before June 9, 2010.

Providence must keep the Kanweaken Property in good standing during the option period and pay all taxes, assessments and related charges. Additionally, on the first anniversary of Exchange approval, Providence must issue 150,000 common shares to the Company; on the second anniversary of Exchange approval, Providence must issue 200,000 common shares to the Company; and on the third anniversary of Exchange approval, Providence must issue 550,000 shares, to earn its 60% interest.

**(c) Nyakagwe Property, Tanzania:**

In Tanzania, Gold Rim acquired Primary Mining Licenses ("PML") from a group of local land owners in an area located about six kilometers from Barrick's Bulyanhulu Mine, which is in the heart of the Victoria Gold Fields District. The group of 36 PMLs form 3 blocks of contiguous claims, now named the Nyakagwe Project.

**(d) Kakamega Properties, Kenya:**

In Kenya, Gold Rim has applied for a 16 square kilometer ("$km^{2)}$ Exclusive Prospecting License ("EPL") to cover the former Rosterman Mine and surrounding areas. The Company has two other licenses in the immediate area covering an additional $50km^2$.

In order to maintain the licenses the Company is required to incur a minimum of Kenya Shillings ("KES") 5,000,000 in exploration expenditures per year, per license. A Bond in favour of the Commissioner of Mines & Geology of the Government of Kenya (the "Commissioner") is to be executed, with 10% of the value of work to be undertaken during each year deposited with the Commissioner in cash while the remaining 90% is to be guaranteed by a financial institution. The Company is also obligated to pay KES 250 per square kilometer for all areas operated under pilot mining.

On August 17, 2009 the Company signed a Memorandum of Understanding with Equatorial Mining Ltd. ("Equatorial") to develop the extensive surface tailings from the former Rosterman Gold Mine. Under the terms of the agreement, Equatorial will have six months to evaluate the tailings and design a procedure to exploit the contained gold. If Equatorial decides to proceed with the program, the Company will receive an advance royalty payment in cash. The Company will receive a 5% Net Smelter Royalty (NSR) from all product recovered from the Rosterman Gold Mine. Equatorial will have three years to recover material and to rehabilitate the tailings.

**(e) Ugunja Property, Kenya:**

The Company controls the Ugunja Joint Venture which includes a $1,166km^2$ EPL situated at the west end of the Kakamega greenstone belt, the same belt that hosts the Rosterman Mine.

The Joint Venture agreement with Kenya Discovery Ltd ("KDL") entered into on December 18, 2007 grants the Company a 15% interest in the property if exploration expenditures of US$125,000 are incurred and if the Company maintains the license in good standing. The Company may earn an additional 35% interest by incurring an additional US$125,000 in exploration expenditures.

**(f) Ngira Migori Property, Kenya:**

The Company has entered into the Ngira Migori Joint Venture, which encompasses 320 $km^2$ area in the Migori area of Kenya This area has had some previous gold and copper production from the nearby McAlder Mine. The Ngira property has seen small scale gold reef exploration in the past.

The Company has entered into an option agreement dated August 13, 2009 with Red Rock Resources PLC ("Red Rock") for Red Rock to acquire a 70% interest in the Ngira Migori Property. Red Rock paid the Company US$20,000 upon signing the agreement and must incur minimum expenditures of US$180,000 and drill 1,200m before August 13, 2011 and a minimum of 2,400m before August 13, 2012. Red Rock must maintain the property in good standing during the option period.

(g) **Sotik Property, Kenya:**
The Company has also acquired the Sotik property, which is located in the same southern province of Kenya and is comprised of 485 $km^2$ of gold prospective ground.

## 6. Share Capital

### (a) Authorized:

Unlimited number of common shares at no par value
Unlimited number of preferred shares at no par value

### (b) The Company's issued and outstanding share capital and contributed surplus is:

| **Common Shares** | **Issued** | | **Share** | |
|---|---|---|---|---|
| | **Quantity** | **Amount** | **Subscriptions** | **Total** |
| **Balance, December 31, 2007** | 11,282,067 | $1,228,310 | $ - | $1,228,310 |
| Shares issued pursuant to "reverse takeover", net of issue costs of $113,185 | 10,350,000 | 666,553 | - | 666,553 |
| Issued for cash | | | | |
| Private placement, net of $51,515 allocated to the issue of warrants | 1,007,000 | 250,585 | - | 250,585 |
| Share subscriptions received | - | - | 674,085 | 674,085 |
| **Balance, May 31, 2008** | 22,639,067 | 2,145,448 | 674,085 | 2,819,533 |
| Issued for cash | | | | |
| Private placements, net of $194,293 allocated to the issue of warrants and $91,794 of issue costs | 14,578,737 | 1,152,383 | (674,085) | 478,298 |
| Shares issued for the acquisition of Gold Rim (Note 1), net of issue costs of $5,078 | 4,200,000 | 834,922 | - | 834,922 |
| **Balance, May 31, 2009** | 41,417,804 | $ 4,132,753 | $ - | $ 4, 132,753 |

**Contributed Surplus**

| | |
|---|---|
| **Balance, December 31, 2007** | $ - |
| Allocated to warrants on the issue of shares for cash | 51,515 |
| **Balance, May 31, 2008** | 51,515 |
| Allocated to warrants on the issue of shares for cash | 194,293 |
| Stock based compensation | 113,594 |
| **Balance, May 31, 2009** | $ 359,402 |

**(c) Stock Options:**

Under the Company's stock option plan, the Company may grant options to directors, officers, employees and consultants to purchase common shares up to a maximum number permitted by the TSX Venture Exchange. Options will be granted at the market price on the date of the grant, less permitted discounts, will vest according to the timetable set at the time of the grant and will expire no later than five years from the date of grant.

On June 9, 2008 the Company granted 2,990,000 stock options to directors, officers, employees and consultants, exercisable at a price of $0.15 per share and expiring on June 8, 2013.

On October 1, 2008 the Company granted 25,000 stock options to directors, officers, employees and consultants, exercisable at a price of $0.15 per share and expiring on October 1, 2013.

On January 8, 2009 the Company granted 100,000 stock options to directors, officers, employees and consultants, exercisable at a price of $0.15 per share and expiring on January 8, 2011.

On January 12, 2009 the Company granted 830,000 stock options to directors, officers, employees and consultants, exercisable at a price of $0.05 per share and expiring on January 12, 2014.

At May 31, 2009 the Company has options outstanding entitling holders to purchase up to 3,945,000 shares of the Company's common stock at exercise prices ranging from $0.05 to $0.15. The contractual weighted average remaining life of the outstanding options at May 31, 2009 is 4.09 years (2008 – 0.66 years). During the year, $113,594 (2008 - $nil) was recorded as share-based compensation expense for options that had vested.

A summary of share purchase options activity and information concerning outstanding and exercisable options at May 31, 2009 is:

| | Number of Options | Weighted Average Price |
|---|---|---|
| Options outstanding and exercisable | | |
| December 31, 2007 | - | - |
| Granted | 1,000,000 | $ 0.10 |
| Options outstanding and exercisable | | |
| May 31, 2008 | 1,000,000 | $ 0.10 |
| Granted | 3,945,000 | $ 0.13 |
| Expired | (1,000,000) | $ 0.10 |
| Options outstanding, May 31, 2009 | 3,945,000 | $ 0.13 |
| Options exercisable, May 31, 2009 | 1,289,997 | $ 0.13 |

As at May 31, 2009, the following stock options were outstanding:

| Options Outstanding | Options Exercisable | Exercise Price | Expiry Date | Weighted Average Remaining Life (Years) |
|---|---|---|---|---|
| 100,000 | 12,500 | 0.15 | January 8, 2011 | 1.61 |
| 2,990,000 | 996,667 | 0.15 | June 9, 2013 | 4.03 |
| 25,000 | 4,167 | 0.15 | October 1, 2013 | 4.34 |
| 830,000 | 276,664 | 0.05 | January 12, 2014 | 4.62 |

The Company determined the fair value of the options granted and warrants issued using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

| | 2009 | 2008 |
|---|---|---|
| Risk-free interest rate | 2.5% | 3.2% |
| Expected life (years) | 2.7 | 2.0 |
| Expected volatility | 79% | 100% |
| Expected dividend yield | Nil | Nil |

**(d) Share Purchase Warrants**

As at May 31, 2009, the following warrants to purchase common shares are outstanding:

| Exercise Price Per Share | Expiry Date | Balance, May 31, 2008 | Granted | Balance, May 31, 2009 |
|---|---|---|---|---|
| $0.10 | September 25, 2009 | 200,000 | - | 200,000 |
| $0.10 | November 24, 2009 | - | 1,650,000 | 1,650,000 |
| $0.55 | January 28, 2010 | 503,500 | - | 503,500 |
| $0.10 | February 16, 2010 | - | 1,871,000 | 1,871,000 |
| $0.25 | June 9, 2010 | - | 3,268,368 | 3,268,368 |
| $0.15 | June 9, 2010 | - | 49,000 | 49,000 |
| | | 703,500 | 6,838,368 | 7,541,868 |

## 7. Related Party Transactions

Related party transactions not otherwise separately disclosed in these financial statements are:

| | **For the twelve months ended May 31, 2009** | **For the five months ended May 31, 2008** |
|---|---|---|
| Management fees paid to a company controlled by a director of the Company | $ 55,500 | $ 22,725 |
| Interest paid to a director of the Company | 77 | - |
| Reimbursement of expenses paid to a company with common management | 4,580 | - |
| Rent paid to a company with common management | 8,300 | 3,261 |
| Professional services paid to a company controlled by a director of the Company | 4,189 | 2,797 |
| Professional services paid to a legal firm of which a partner was a director of the Company | - | 17,259 |

The outstanding loan of $2,000 at May 31, 2008 was payable to a private company controlled by a director of the Company and was unsecured. It was repaid during the year, including $77 in interest.

Accounts payable at May 31, 2009 includes $3,210 (2008 - $351) payable to a company controlled by a director of the Company.

## 8. Commitments

**(a)** The Company has a management services agreement with a company controlled by a director of the Company requiring payments of $5,000 per month plus taxes (prior to March 1, 2009 - $4,500 per month plus taxes). The agreement is in effect until February 28, 2014 unless terminated earlier in accordance with the provisions of the agreement.

**(b)** The Company shares its premises with other companies controlled by a director of the Company and is allocated its proportion of the annual rent, which is approximately $8,300.

## 9. Segmented Information

The Company's worldwide operations are all conducted in one industry segment, the exploration and development of mineral property interests.

The Company's assets by geographic segment are:

**May 31, 2009**

| | Canada | Liberia, West Africa | Tanzania, East Africa | Kenya, East Africa |
|---|---|---|---|---|
| Assets by geographic segment: | | | | |
| Cash | $ 30,427 | $ 5,655 | $ - | $ 408 |
| Other current assets | 9,750 | - | - | - |
| Equipment | - | 68,466 | - | - |
| Mineral property assets | - | 389,560 | 1,887,669 | 679,276 |
| | $ 40,177 | $ 463,681 | $1,887,669 | $ 679,684 |

**May 31, 2008**

| | Canada | Liberia, West Africa | Tanzania, East Africa |
|---|---|---|---|
| Assets by geographic segment: | | | |
| Cash | $ 719,998 | $ 11,911 | $ - |
| Other current assets | 47,891 | 1,067 | - |
| Loan to Gold Rim Exploration Inc. (Note 1) | 250,000 | - | - |
| Equipment | - | 97,771 | - |
| Mineral property assets | - | 1,307,519 | 103,285 |
| | $ 1,017,889 | $ 1,418,268 | $ 103,285 |

## 10. Income Taxes

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.
No provision for recovery of future income taxes was made in these financial statements because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for tax purposes of $2,281,419 (May 31, 2008 - $1,735,985) which expire as follows:

| | |
|---|---|
| 2014 | $ 3,476 |
| 2015 | 46,606 |
| 2026 | 61,087 |
| 2027 | 170,591 |
| 2028 | 146,706 |
| 2029 | 296,957 |
| Indefinite | 1,555,996 |

As at May 31, 2009, the Company has undeducted resource related expenses of approximately $1,181,000 (May 31, 2008 - $nil) available for deduction against future Canadian taxable incomes. These expenses have no expiration date. In addition, the Company has undeducted share issuance costs totaling $102,748 (May 31, 2008 - $70,641) which are also available for deduction against future Canadian taxable income.

| | **For the twelve months ended May 31, 2009** | **For the five months ended May 31, 2008** |
|---|---|---|
| Net loss before income taxes | $(1,395,091) | $(137,717) |
| Statutory income tax rates | 30.58% | 31.00% |
| Calculated income tax recovery | (426,665) | (42,692) |
| Net adjustment for deductible and non-deductible amounts | | |
| Write down of mineral properties | 340,645 | - |
| Foreign mineral property expenditures | (83,458) | - |
| Other | (4,799) | 2,297 |
| Unrecognized benefit of non-capital losses | 174,277 | 40,395 |
| Provision for income taxes | $ - | $ - |

Significant components of the Company's future tax assets and liabilities, after applying enacted or substantially enacted corporate income tax rates, are:

| | **May 31, 2009** | **May 31, 2008** |
|---|---|---|
| Future income tax assets | | |
| Other assets | $ 8,600 | $ 8,478 |
| Undeducted share issue costs for tax purposes | 30,824 | 21,899 |
| Non-capital loss carry forwards | 601,317 | 132,966 |
| | 640,741 | 163,343 |
| Valuation allowance for future income tax assets | (640,741) | (163,343) |
| | $ - | $ - |
| Future income tax liabilities | | |
| Mineral properties | $368,000 | $ - |

## 11. Management of Financial Risk

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, and liquidity risk.

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations of foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada, Liberia, Kenya and Tanzania. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to foreign currencies whenever exchange rates are favourable.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at major financial institutions. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as the Company only invests in highly liquid securities with short-term maturities.

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 (Note 12).

## 12. Management of Capital

The Company's objectives when managing capital, which are unchanged from prior periods, are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital to be its shareholders' equity. The Company manages its capital and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company will have to raise additional capital resources to meet its planned operations and administrative overhead expenses. The future exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venture of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.