

Central African Gold plc

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2005

Central African Gold plc

DIRECTORS AND ADVISERS

DIRECTORS

Philippe Edmonds MA (Cantab)
Gregory Hunter
Andrew Groves
Mark Rosslee
Brian Moritz
Roy Pitchford

Chairman
Chief Executive
Development Director
Finance Director
Non-Executive Director
Non-Executive Director

SECRETARY

Philip Enoch MA (Oxon)

REGISTERED OFFICE

Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

NOMINATED ADVISER

Strand Partners Limited
26 Mount Row
London W1K 38Q

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

SOLICITORS

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Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

BROKER

Hichens, Harrison & Co plc
Bell Court House
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London EC2M 1LB

BANKERS

National Westminster Bank plc
Baker Street Branch
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69 Baker Street
London W1A 2BA

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

MAIN OFFICE

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Central African Gold plc

CHAIRMAN'S STATEMENT

It gives me great pleasure to report on the developments the Company has made within the last year. However, most of the significant events that have affected the Company, happened post year end, so I feel it is prudent to include these in my statement so that our shareholders are fully apprised of the current situation and the strategy being employed.

Exploration Update

Over the period we have made good progress having broadened our geographical focus from Botswana through the signing of a new Joint Venture deal in Mali, expanded the Board through the appointment of Greg Hunter (CEO) and Mark Rosslee (FD) and strengthened the balance sheet via an institutional placing. As a result the Board is confident that the progress made this last year places Central African Gold "CAG" in good stead to pursue an aggressive growth strategy in Africa and fulfil its objective of becoming a significant African gold producer.

The Company's main strategy is to acquire projects either through majority or minority stakes or through Joint Ventures. The recent Joint Venture with Mali Mining House ('MMH') provides CAG with a solid foothold in the highly prospective West African Birimian Gold Belt, an area which makes Mali the third largest producer in Africa. Under the agreement CAG and MMH have established an 80% - 20% Joint Venture Company which has assumed ownership of the licences issued by the Malian Ministry of Mines, Energy and Water. CAG is providing the technical and financial resources required to progress the various projects, while MMH, a company established by members of the Malian Union Nationale des Opérateurs Miniers ('UNOMIN'), a collective of Malian title-holders, has assumed a 20% free-carried stake.

Reconnaissance work had been undertaken to review the large volume of geophysical and geochemical data that exists over the southern and western regions of Mali. Large anomalies have already been identified in the area and as a result exploration commenced late January 2006 with the assistance of Guy Franscishi Consulting, a Belgium-based consulting group which has extensive experience in this region. Early indications have shown promising results. Areas with the greatest prospectivity will be identified, prioritised and advanced as quickly as possible through the implementation of a comprehensive programme of soil sampling, field mapping and reinterpretation of the airborne geophysics.

We have also made progress through our 53% controlling interest in Golden Tau Mining Ltd ('Golden Tau') which has been carrying out an exploration programme over its 872 square kilometres Kraaipan Project in southern Botswana. The project covers most of the area underlain by the Kraaipan Greenstone Terrane, an Archaean greenstone belt that is an extension of the greenstone belt in South Africa, which hosts gold mines and historically had up to four million ounces combined gold resource and past production.

As reported in the Interim statement, a trial helicopter EM survey (known as a VTEM survey) was flown over a portion of the licence area in late 2004. An interpretation of re-processed aeromagnetic surveys together with the new VTEM data identified over 50 specific target areas which have now been located and tested on the ground using a ground TEM geophysical survey. This work has enabled a detailed geological mapping of the belt to be produced for the first time. An initial programme of seven reverse circulation drill holes (1025 metres) was undertaken to test three strong geophysical and geological target zones. All holes intersected a greenstone succession comprising mafic volcanics, invariably interspersed with banded iron formation and sediment rock units and occasional ultramafic rock units (talcose). The highest gold value is 0.83 g/t gold and the disseminated sulphides would explain the VTEM anomaly. The strongest VTEM anomalies have yet to be drill tested.

This work has identified new areas within the Company's licences that are prospective for gold mineralisation.

Central African Gold plc

CHAIRMAN'S STATEMENT

Directorate Change

In order to accelerate the development of the Company, I was very pleased that we were able to recruit Greg Hunter and Mark Rosslee to the positions of CEO and Finance Director respectively. They bring with them great experience and enthusiasm and share the Company's vision to build Central African Gold into a significant mining company in Africa. They have also brought with them an experienced team who will assist them in fulfilling an aggressive growth strategy to acquire and develop significant opportunities. As a result of this, the Company is already evaluating growth opportunities, one of which was announced and would be classified as a reverse take-over. This transaction however is not being pursued at present but the Company continues to evaluate other prospects and will provide details in due course.

As a result of the recent appointments, Andrew Groves, Brian Moritz and I have decided to step down from the Board with effect from the end of June. We believe that the Company is now in a strong position, being well financed and run by an experienced team of gold professionals. It has been our policy that we step down once the initial corporate development stage has been completed. However we will remain very supportive of Greg and his team and will assist where possible in building a successful Company, delivering shareholders with sustainable growth.

Share Placing

In order to strengthen the balance sheet the Company raised £9,000,735 on 21 April 2006 through the placing of 100,008,167 new ordinary shares, the proceeds of which will be used to acquire new projects in Africa that can be brought into production in the short to medium term and to develop existing projects. This has increased the shareholder base and strengthened the Company's balance sheet.

Operating results

For the 12-month period ending 31 December 2005 we are reporting a pre- and post- tax loss of £274,695. As I mentioned, we are investing both time and finance in developing, identifying and acquiring suitable projects and we are not in production. However we are conscious that we must manage our costs prudently and I believe following the fund raising we are in a financially strong position to achieve our corporate objectives. The management team provides CAG with real ability to make discoveries, is well funded, organised and skilled with a high degree of corporate governance and I believe the team will draw on past experience to progress from an explorer to a producer.

Nomad

We have recently signed on Strand Partners as our Nominated Adviser whom I believe is the right partner to help us grow the Company.

In conclusion, this has been a good year for CAG. We were able to identify new business ventures and projects, formed strong relationships with connections in the west and south Mali region and brought on a very experienced team. The focused approach has already prioritised a potential hit list of future opportunities that will fulfil our investment criteria and generate near term revenue. The Company is confident that the new team will develop CAG into a significant gold producing and exploration company in the near future. Finally I'd like to take this opportunity to thank all those involved in the Company and wish them all well in the future.

Philippe Edmonds
Chairman

28 June 2006

Central African Gold plc

DIRECTORS' REPORT

The directors submit their report and the financial statements of Central African Gold plc for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the group during the year was that of gold exploration, investment and development.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

This is dealt with in the Chairman's statement.

DIVIDENDS

The directors do not recommend a dividend for the year.

DIRECTORS

The following directors have held office during the year:

AS Groves
PH Edmonds
BM Moritz
RA Pitchford

GP Hunter and MW Rosslee were appointed as directors on 8 March 2006.

DIRECTORS' INTERESTS IN SHARES, LISTED WARRANTS AND OPTIONS

Directors' interests in the shares and quoted warrants of the company, including family interests, were as follows:

	<i>Ordinary shares of 0.1p each 31.12.05</i>	<i>Quoted warrants to subscribe for ordinary shares of 0.1p each 31.12.05</i>	<i>Ordinary shares of 0.1p each 1.1.05</i>	<i>Quoted warrants to subscribe for ordinary shares of 1p each 1.1.05</i>
AS Groves	13,700,000	-	13,700,000	-
PH Edmonds	19,000,000	-	19,000,000	-
BM Moritz	-	-	-	-
RA Pitchford	15,000,000	-	15,000,000	-

Directors' interests in share options of the company including family interests as at 31 December 2005 were as follows:

	Date of grant	Number of ordinary shares of 0.1p each	Exercise Price	Option exercise period
AS Groves	5 March 2004	5,000,000	1p	5 March 2004 to 4 April 2009
RA Pitchford	5 March 2004	5,000,000	1p	5 March 2004 to 4 April 2009

Central African Gold plc

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES, LISTED WARRANTS AND OPTIONS *(continued)*

On 19 January 2004 the company provided a bonus scheme to the directors that, in the event of the offer proceeding and the company's shares and warrants being admitted to trading on the AIM, upon the trading price for the company's shares reaching a price of 15p per share, AS Groves, PH Edmonds and RA Pitchford would be issued 10 million warrants each and that upon the trading price for the company's shares reaching a price of 25p per share, AS Groves, PH Edmonds and RA Pitchford would be issued a further 10 million warrants each. There were no warrants issued under the scheme during the year.

The following share options have been granted to directors since the year end.

	Date of grant	Number of ordinary shares of 0.1p each	Exercise Price	Option exercise period
GD Hunter	6 March 2006	2,000,000	3.75p	6 March 2006 to 5 March 2011
MW Rosslee	6 March 2006	1,250,000	3.75p	6 March 2006 to 5 March 2011
GD Hunter	6 March 2006	2,000,000	3.75p	6 March 2007 to 5 March 2012
MW Rosslee	6 March 2006	1,250,000	3.75p	6 March 2007 to 5 March 2012
GD Hunter	6 March 2006	2,000,000	3.75p	6 September 2007 to 5 September 2012
MW Rosslee	6 March 2006	1,250,000	3.75p	6 September 2007 to 5 September 2012
GD Hunter	6 March 2006	2,000,000	3.75p	6 March 2008 to 5 March 2013
MW Rosslee	6 March 2006	1,250,000	3.75p	6 March 2008 to 5 March 2013

There have been no other changes in directors' interests in shares, listed warrants or options between 1 January 2006 and 9 June 2006.

The market price of the shares at 1 January 2005 was 5.25p and 31 December 2005 was 4.5p. The average during the year ended 31 December 2005 was 4.07p.

SUBSTANTIAL SHAREHOLDINGS

Other than the directors' interests shown above, the company has been notified of the following substantial interests as at 2 June 2006:

	Number of ordinary shares of 0.1p each	Percentage of issued share capital
CGT Management Limited	35,000,000	13.32
Central African Mining & Exploration Company plc "CAMEC"	20,000,000	7.62
North Sound Capital LLC	12,448,500	4.74
Michael Vitton	12,000,000	4.60
George Robinson	11,111,111	4.23
Palmyra Fund	11,000,000	4.19
Libra Funds	10,529,960	4.01
Endeavour Mining	8,495,000	3.24

CREDITOR PAYMENT POLICY

The group policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from receipt of the relevant invoice. Trade creditor days based on creditors at 31 December 2005 were 60 days.

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DIRECTORS' REPORT

POST BALANCE SHEET EVENT

On 20 April 2006 the company placed 100,008,167 ordinary shares of 0.1p each at 9p raising gross cash proceeds of £9,000,735. These funds will be used for exploration and growth projects which can be brought into production in the short to medium term.

Further to the announcement of the signing of the joint venture agreement with the Mali Mining House SA on 16 December 2005, a new limited company, Mali Goldfields SA was incorporated in Mali on 1 February 2006. Central African Gold plc holds an 80% interest in the company in accordance with the joint venture contract.

Subsequent to the year end, Gold Tau Mining Limited entered into an option agreement for the purchase of a prospecting licence located in the Republic of Mozambique. The agreement provides for the company the sole and exclusive right to acquire the licence for US\$125,000 and conduct exploration on the tenement during the option period expiring 31 July 2006.

The company and CAMEC have entered into an arms length agreement whereby neither CAMEC nor its management team will take any steps, directly or indirectly, itself or through any associate company, to exert any influence over the board, management, administration or business of CAG, including, without limitation, through its familiarity with the business, activities, management team, personnel and professional advisers of CAG or through its shareholding in CAG.

AUDITORS

A resolution to reappoint Baker Tilly as auditors will be put to the members at the annual general meeting.

By order of the board

Philip Enoch
Company Secretary

28 June 2006

Central African Gold plc

CORPORATE GOVERNANCE STATEMENT

The board of directors are accountable to the Company's shareholders' for good corporate governance and the directors support the Combined Code as far as it is appropriate to the Group's stage of development. The purpose of this report is to explain how the Company has applied the principles of good governance so far as these relate to listed companies. These cover four subject areas:

- Board of Directors
- Directors' remuneration
- Accountability and audit
- Relations with shareholders

The Board of Directors

The Company is led and controlled by a Board comprising two executive directors and two non-executive directors. Subsequent to year end there were two additional directors appointments, replacing the existing executive directors who become non-executive. As PH Edmonds has tendered his resignation with effect from the end of June, GD Hunter will act as Chairman until such time as an independent Chairman is appointed.

There are no matters specifically reserved to the Board for its decision, although board meetings are held when required and effectively no decision of any consequence is made, other than by the directors. All directors participate in the key areas of decision-making, including the appointment of new directors, although there is no separate Nomination Committee due to the current size of the Board.

The Board receives timely information on all material aspects about the Group to enable it to discharge its duties.

Whilst all directors have equal responsibility in law for managing the Company's affairs, it is the role of executive management to run the business within the parameters laid down by the Board and to produce clear and accurate reports to enable the Board to assess their performance. The executives make full use of the expertise and experience that the non-executive directors bring from their business careers.

There is no agreed formal procedure for the directors to take independent professional advice at the Group's expense.

All directors submit themselves for re-election at the Annual General Meeting at regular intervals. There are no specific terms of appointment for non-executive directors.

Directors' Remuneration

The Company has not yet established a Remuneration Committee.

The Chairman is responsible for consideration and approval of the terms of service, remuneration, bonuses, share options and other benefits of the other three directors and they, in turn, are responsible for his. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management.

No director has a service contract with the Company.

Details of the remuneration of each director are set out in note 5 to the financial statements.

Accountability and Audit

The Company has not yet established an Audit Committee. The Chairman and Chief Financial Officer are responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. A formal statement of independence is received from the external auditor each year.

Central African Gold plc

CORPORATE GOVERNANCE STATEMENT

Relations with Shareholders

The Chairman and Chief Executive is the Company's principal spokesperson with investors, fund managers, the press, and other interested parties. At the Annual General Meeting, private investors are given the opportunity to question the Board.

Internal Control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established and which are designed to provide effective control are as follows:

Management Structure - The Board meets when required to discuss all issues affecting the Group.

Investment Appraisal - The Group has a framework for investment appraisal and approval is required by the Board where appropriate.

The Board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and no weakness in internal financial control has resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

The Board considers that in light of the control environment described above, there is no current requirement for a separate internal audit function.

Going Concern

In common with many exploration companies, the Group raises equity finance for its exploration activities in discrete tranches to finance its activities for limited periods. Further funding is raised as and when required. When any of the projects move to development, specific financing may be required to enable development to take place.

Having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

Central African Gold plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL AFRICAN GOLD PLC

We have audited the financial statements on pages 11 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

28 June 2006

Central African Gold plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
TURNOVER		-	-
Operating expenses	2	(310,486)	(123,257)
OPERATING LOSS		<u>(310,486)</u>	<u>(123,257)</u>
Interest receivable	3	35,791	7,149
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>(274,695)</u>	<u>(116,108)</u>
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(274,695)</u>	<u>(116,108)</u>
Minority interests		28,793	632
LOSS FOR THE FINANCIAL PERIOD	14	<u>(245,902)</u>	<u>(115,476)</u>
LOSS PER ORDINARY SHARE			
Basic and diluted	7	<u>(0.148p)</u>	<u>(0.094p)</u>

The operating loss for the period arises from the group's continuing operations.

Central African Gold plc

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2005

	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
Loss for the financial period	(245,902)	(115,476)
Foreign currency translation adjustments relating to subsidiary undertakings	<u>(37)</u>	<u>4,815</u>
Total recognised gains and losses for the period	<u><u>(245,939)</u></u>	<u><u>(110,661)</u></u>

Central African Gold plc
CONSOLIDATED BALANCE SHEET
31 December 2005

	<i>Notes</i>	2005 £	2004 £
FIXED ASSETS			
Intangible assets	8	286,633	179,823
CURRENT ASSETS			
Debtors	10	52,486	67,254
Cash at bank and in hand		1,194,093	1,436,502
		<u>1,246,579</u>	<u>1,503,756</u>
CREDITORS: Amounts falling due within one year	11	(177,242)	(52,845)
NET CURRENT ASSETS		<u>1,069,337</u>	<u>1,450,911</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,355,970</u>	<u>1,630,734</u>
CAPITAL AND RESERVES			
Called up share capital	12	165,743	165,743
Share premium account	13	1,459,793	1,459,793
Profit and loss account	14	(356,600)	(110,661)
EQUITY SHAREHOLDERS' FUNDS	15	<u>1,268,936</u>	<u>1,514,875</u>
Minority interests		87,034	115,859
		<u>1,355,970</u>	<u>1,630,734</u>

Approved by the board and authorised for issue on 28 June 2006

Philippe Edmonds
Director

Central African Gold plc
 COMPANY BALANCE SHEET
 31 December 2005

	<i>Notes</i>	2005 £	2004 £
FIXED ASSETS			
Investments	9	246,060	246,060
CURRENT ASSETS			
Debtors	10	49,618	67,007
Cash at bank and in hand		1,120,962	1,237,109
		<u>1,170,580</u>	<u>1,304,116</u>
CREDITORS: Amounts falling due within one year	11	(119,221)	(39,401)
NET CURRENT ASSETS		<u>1,051,359</u>	<u>1,264,715</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,297,419</u>	<u>1,510,775</u>
CAPITAL AND RESERVES			
Called up share capital	12	165,743	165,743
Share premium account	13	1,459,793	1,459,793
Profit and loss account	14	(328,117)	(114,761)
EQUITY SHAREHOLDERS' FUNDS	15	<u>1,297,419</u>	<u>1,510,775</u>

Approved by the board and authorised for issue on 28 June 2006

Philippe Edmonds
 Director

Central African Gold plc
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2005

	<i>Notes</i>	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
Cash outflow from operating activities	16a	(174,336)	(133,256)
Returns on investments and servicing of finance	16b	35,791	7,149
Capital expenditure and financial investment	16b	(103,864)	(55,046)
Acquisitions and disposals	16b	-	(7,881)
CASH OUTFLOW BEFORE FINANCING		<u>(242,409)</u>	<u>(189,034)</u>
Management of liquid resources	16b	(878,350)	(168,007)
Financing	16b	-	1,625,536
(DECREASE)/INCREASE IN CASH IN THE PERIOD		<u>(1,120,759)</u>	<u>1,268,495</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
(Decrease)/increase in cash in the period	(1,120,759)	1,268,495
Cash inflow from increase in liquid resources	878,350	168,007
MOVEMENT IN NET FUNDS IN THE PERIOD	<u>(242,409)</u>	<u>1,436,502</u>
NET FUNDS AT BEGINNING OF THE PERIOD	1,436,502	-
NET FUNDS AT END OF THE PERIOD	16c <u>1,194,093</u>	<u>1,436,502</u>

Central African Gold plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Central African Gold plc and all its subsidiary undertakings. Subsidiaries acquired during the period are consolidated using the acquisition method. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where considered necessary. All financial statements are made up to 31 December 2005.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date and the result for the period is translated at the average rate ruling in the period. Exchange differences arising are dealt with through reserves.

INTANGIBLE FIXED ASSETS

All costs relating to the acquisition, exploration and development incurred by the Company or its subsidiary undertakings on its mineral properties are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves at which time such costs will be transferred to tangible fixed assets to be amortised over the expected productive life of the asset. The directors periodically review the intangible assets for impairment and where a project is abandoned or is considered not to be economically viable, the related costs are written off.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

INVESTMENTS

Investments are stated at cost and provision is made for any impairment in value.

Central African Gold plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

1	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		
	The group's loss before taxation was all derived from its principal activity undertaken in Western Australia and Botswana.		
2	OPERATING EXPENSES	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
	Administration expenses	(310,486)	(123,257)
		=====	=====
3	INTEREST RECEIVABLE	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
	Bank interest receivable	35,791	7,149
		=====	=====
4	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
	Loss on ordinary activities before taxation is stated after charging: Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services		
	Audit services		
	- statutory UK audit	25,450	5,000
	- statutory overseas audit	4,190	1,222
	Tax compliance services	3,000	3,000
		=====	=====
5	EMPLOYEES		
	There were no employees other than the directors of the company during the period.		
	DIRECTORS' REMUNERATION	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
	Amounts payable for directors' services	24,000	24,000
	Joint highest paid directors:		
	AS Groves - emoluments	12,000	12,000
	PH Edmonds - emoluments	12,000	12,000
		=====	=====

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6	TAXATION	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
	Current tax:		
	UK corporation tax on losses of the period	-	-
	Total current tax	<u>-</u>	<u>-</u>
	Factors affecting tax charge for period:		
	Loss on ordinary activities before tax	(274,695)	(116,108)
	Loss on ordinary activities multiplied by the rate of corporation tax for small companies of 19%	(52,192)	(22,061)
	Effects of:		
	Expenses not deductible for tax purposes	1,845	2,326
	Unrelieved tax losses carried forward	50,347	19,735
	Tax charge for period	<u>-</u>	<u>-</u>

The Group and Company's unrelieved tax losses of approximately £321,680 (2004: £88,000) have not been recognised as a deferred tax asset as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future.

7 LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per ordinary share is based on the following losses and number of shares.

	Year ended 31 December 2005 £	26 November 2003 to 31 December 2004 £
Loss for the financial period	(245,902)	(115,476)
	<u>2005</u>	<u>2004</u>
	No. of shares	No. of shares
Weighted average number of shares	<u>165,742,856</u>	<u>122,387,988</u>

Due to the loss incurred in the period, there is no dilutive effect from the issue of share options and warrants.

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8	INTANGIBLE FIXED ASSETS	Development costs £
	GROUP	
	Cost	
	1 January 2005	179,823
	Additions	103,864
	Exchange rate adjustment	2,946
	31 December 2005	<u>286,633</u>
9	INVESTMENTS	Shares in subsidiary undertakings £
	COMPANY	
	Cost	
	1 January 2005 and 31 December 2005	<u>246,060</u>

Details of the company's subsidiary undertakings are set out below:

	Class of holding	Percentage held	Country of incorporation	Nature of business	
Golden Tau Mining Limited	Ordinary	53.1%	Australia	Australian mining company	
*Motako (Proprietary) Limited	Ordinary	100%	Botswana	Botswana mining company	
Central African Gold Nigeria Limited	Ordinary	100%	Nigeria	Dormant	
*indirectly held					
10	DEBTORS	Group	Group	Company	Company
		2005	2004	2005	2004
		£	£	£	£
	Due within one year:				
	Other debtors	52,486	67,254	49,618	67,007
		<u>52,486</u>	<u>67,254</u>	<u>49,618</u>	<u>67,007</u>
11	CREDITORS: Amounts falling due within one year.	Group	Group	Company	Company
		2005	2004	2005	2004
		£	£	£	£
	Trade creditors	11,778	10,870	4,609	5,401
	Other creditors	50,503	6,753	40,021	-
	Accruals and deferred income	114,961	35,222	74,591	34,000
		<u>177,242</u>	<u>52,845</u>	<u>119,221</u>	<u>39,401</u>
		<u>177,242</u>	<u>52,845</u>	<u>119,221</u>	<u>39,401</u>

Included within trade creditors is a credit card balance of £1,367 (2004: £2,778) which is secured on a cash deposit balance held by the company's bankers.

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12	SHARE CAPITAL	Group and company 2005 £	Group and company 2004 £
	Authorised: 1,000,000,000 ordinary shares of 0.1p each	1,000,000	1,000,000
	Allotted, issued and fully paid: 165,742,856 ordinary shares of 0.1p each	165,743	165,743

At 31 December 2005, the following share options and warrants over ordinary shares of 0.1p each of the Company had been granted and not exercised:

Share options:

Date of grant	Number of shares	Exercise Price	Exercise Period
5 March 2004	10,000,000	1p	5 March 2004 to 4 March 2009
16 December 2005	10,000,000	3.11p	16 December 2005 to 16 December 2010

Share warrants:

Number of shares to be issued	Exercise Price	Exercise Period
30,000,000	1p	31 March 2004 to 31 March 2011

The warrants are held in trust.

On 19 January 2004 the company provided a bonus scheme to the directors that, in the event of the offer proceeding and the company's shares and warrants being admitted to trading on AIM, upon the trading price for the company's shares reaching a price of 15p per share, AS Groves, PH Edmonds and RA Pitchford would be issued 10 million warrants each and that upon the trading price for the company's shares reaching a price of 25p per share, AS Groves, PH Edmonds and RA Pitchford would be issued a further 10 million warrants each. There were no warrants issued under the scheme during the period.

On 6 March 2006 33m share options were granted with an exercise price of 3.75p. The vesting period for these options is between 6 March 2006 and 6 March 2013.

13	SHARE PREMIUM ACCOUNT	Group and company 2005 £	Group and company 2004 £
	1 January 2005	1,459,793	-
	Premium on shares issued during the period	-	1,566,257
	Share issue costs	-	(106,464)
	31 December 2005	1,459,793	1,459,793

Included within share issue costs in 2004 are fees of £12,560 charged by the company's auditors.

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14	PROFIT AND LOSS ACCOUNT	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
	1 January 2005	(110,661)	-	(114,761)	-
	Loss for the financial period	(245,902)	(115,476)	(213,356)	(114,761)
	Foreign currency translation adjustments	(37)	4,815	-	-
	31 December 2005	<u>(356,600)</u>	<u>(110,661)</u>	<u>(328,117)</u>	<u>(114,761)</u>

In accordance with s230 of the Companies Act 1985, Central African Gold plc has not presented its own profit and loss account.

15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
	Loss for the financial period	(245,902)	(115,476)	(213,356)	(114,761)
	Issue of shares during the period	-	1,732,000	-	1,732,000
	Issue costs	-	(106,464)	-	(106,464)
	Exchange rate adjustments	(37)	4,815	-	-
	Net (reduction in)/addition to shareholders' funds	<u>(245,939)</u>	<u>1,514,875</u>	<u>(213,356)</u>	<u>1,510,775</u>
	Opening shareholders' funds	1,514,875	-	1,510,775	-
	Closing shareholders' funds	<u>1,268,936</u>	<u>1,514,875</u>	<u>1,297,419</u>	<u>1,510,775</u>

16	CASH FLOWS			2005 £	2004 £
a	Reconciliation of operating loss to net cash outflow from operating activities				
	Operating loss			(310,486)	(123,257)
	Decrease/(increase) in debtors			14,768	(67,161)
	Increase in creditors			124,397	48,088
	Exchange rate adjustments			(3,015)	9,074
	Net cash outflow from operating activities			<u>(174,336)</u>	<u>(133,256)</u>

Central African Gold plc
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2005

16	CASH FLOWS (<i>continued</i>)	2005	2004
		£	£
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	35,791	7,149
	Net cash inflow from returns on investments and servicing of finance	<u>35,791</u>	<u>7,149</u>
	Capital expenditure and financial investment		
	Purchase of intangible fixed assets	(103,864)	(55,046)
	Net cash outflow from capital expenditure and financial investment	<u>(103,864)</u>	<u>(55,046)</u>
	Acquisitions and disposals		
	Purchase of subsidiary undertaking	-	(246,060)
	Cash acquired with subsidiary	-	238,179
	Net cash outflow from acquisition and disposals	<u>-</u>	<u>(7,881)</u>
	Management of liquid resources		
	Cash placed on deposit	(878,350)	(168,007)
	Net cash outflow from management of liquid resources	<u>(878,350)</u>	<u>(168,007)</u>
	Financing		
	Proceeds from issue of share capital	-	1,732,000
	Share issue costs	-	(106,464)
	Net cash inflow from financing	<u>-</u>	<u>1,625,536</u>
		At 31	At 31
		December	December
c	Analysis of net funds	2005	2004
		£	£
	Cash at bank and in hand	147,736	1,268,495
	Cash on deposit	1,046,357	168,007
		<u>1,194,093</u>	<u>1,436,502</u>

Central African Gold plc

NOTES TO THE FINANCIAL STATEMENTS

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17 RELATED PARTY TRANSACTIONS

Central African Mining & Exploration Company Plc (CAMEC), Capricorn Resources Plc (Capricorn), African Platinum plc (AP) and White Nile Limited had common directors with Central African Gold plc.

During the year CAMEC charged management fees to the company of £45,540 (2004: £Nil).

The company made payments on behalf of CAMEC of £Nil (2004: £26,921), regarding Capricorn of £4,911 (2004: £Nil), regarding AP of £Nil (2004: £12,000) and regarding White Nile Limited of £Nil (2004: £6,188). CAMEC also made payments on behalf of the company of £40,021 (2004: £Nil). As at 31 December 2005, the company owed CAMEC £40,021 (2004: £Nil) which is included in creditors. Capricorn owed £4,911 (2004: £Nil), AP owed £Nil (2004: £6,188), all of which are included in debtors.

These balances were settled post year end.

18 POST BALANCE SHEET EVENTS

On 20 April 2006 the company placed 100,008,167 ordinary shares of 0.1p each at 9p raising gross cash proceeds of £9,000,735. These funds will be used for capital projects which can be brought into production in the short to medium term.

Further to the announcement of the signing of the joint venture agreement with the Mali Mining House SA on 16 December 2005, a new limited company, Mali Goldfields SA was incorporated in Mali on 1 February 2006. Central African Gold plc holds an 80% interest in the company in accordance with the joint venture contract.

Subsequent to the year end, Gold Tau Mining Limited entered into an option agreement for the purchase of a prospecting licence located in the Republic of Mozambique. The agreement provides for the company the sole and exclusive right to acquire the licence for US\$125,000 and conduct exploration on the tenement during the option period expiring 31 July 2006. The consideration for the grant of the option was US\$25,000.

The company and CAMEC have entered into an arms length agreement whereby neither CAMEC nor its management team will take any steps, directly or indirectly, itself or through any associate company, to exert any influence over the board, management, administration or business of CAG, including, without limitation, through its familiarity with the business, activities, management team, personnel and professional advisers of CAG or through its shareholding in CAG.

All future dealings between CAMEC and its management and CAG will be conducted on an arm's length and commercial basis. This agreement will remain in force and of effect until such time that the aggregated shareholding of CAMEC and Messrs PH Edmonds and AS Groves is less than 10% of the issued share capital of CAG.

Central African Gold plc

NOTES TO THE FINANCIAL STATEMENTS

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19 FINANCIAL INSTRUMENTS

The group's financial assets comprise cash. The group has various other financial assets, such as trade debtors and trade creditors that arise directly from its operations which have not been included in the following disclosures.

The main risks arising from the group's financial instruments are interest rate risks and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments should be undertaken.

Foreign exchange risk

The functional currencies of the group are Sterling and Australian Dollars. The group's foreign subsidiaries, as named in note 9, are denominated in foreign currencies. The Group does not hedge against the effects of movements in exchange rates. The risks are monitored by the Board on a regular basis.

Interest rate risk

The group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis.

Interest rate profile of financial assets

The interest rate risk profile of the Group's financial assets as at 31 December 2005 was:

	Fixed rate £	Floating Rate £	Total £
Sterling	1,000,000	120,962	1,120,962
Australian dollars	46,357	26,774	73,131
	<u>1,046,357</u>	<u>147,736</u>	<u>1,194,093</u>
Of which:			
Cash at bank and in hand	<u>1,046,357</u>	<u>147,736</u>	<u>1,194,093</u>

The fixed deposits at 31 December 2005 (2004) are short term deposits. The Sterling deposit earns interest at 4.281% (2004: Nil) and the Australian dollar deposit earns interest at 5.35% (2004: 5.23%).

Floating rate instant access deposits in Sterling and Australian dollars earn interest at prevailing bank rates.

Liquidity risk

It is the group's policy to finance its business by means of internally generated funds supported by the group's bankers and external share capital. Facilities are regularly reviewed by the Board.

Facility

The group does not currently have an overdraft facility.

Central African Gold plc
NOTES TO THE FINANCIAL STATEMENTS
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19 FINANCIAL INSTRUMENTS (continued)

Fair value

There is no material difference between the fair value of borrowings and other financial instruments and their book value at the balance sheet date.

The interest rate risk profile of the group's financial assets as at 31 December 2004 was:

	Fixed rate £	Floating Rate £	Total £
Sterling	-	1,237,109	1,237,109
Australian dollars	168,007	31,386	199,393
	<u>168,007</u>	<u>1,268,495</u>	<u>1,436,502</u>
Of which:			
Cash at bank and in hand	<u>168,007</u>	<u>1,268,495</u>	<u>1,436,502</u>