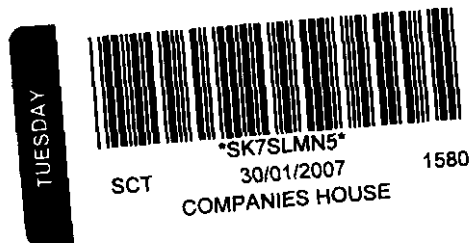


COMPANY REGISTRATION NUMBER SC084497

FYNEGOLD EXPLORATION LIMITED
FINANCIAL STATEMENTS

31 DECEMBER 2005



RITSONS

Chartered Accountants & Registered Auditors
27 Huntly Street
Inverness
IV3 5PR

FYNEGOLD EXPLORATION LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

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| The following page does not form part of the financial statements | |
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FYNEGOLD EXPLORATION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

| | |
|-------------------------------|---|
| The board of directors | FC Harvey J Johnstone S E Hayden |
| Company secretary | Brodies Secretarial Services |
| Registered office | 15 Atholl Crescent Edinburgh EH3 8AH |
| Auditor | Ritsons Chartered Accountants & Registered Auditors 27 Huntly Street Inverness IV3 5PR |
| Solicitors | Brodies WS 15 Atholl Crescent Edinburgh EH3 8HA |

FYNEGOLD EXPLORATION LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors present their report and the financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company continues to be mineral exploration and development in Scotland. The principal property of the company comprises the Cononish Gold Mine in Scotland

DIRECTORS

The directors who served the company during the year were as follows.

FC Harvey
J Johnstone
S E Hayden

AUDITOR

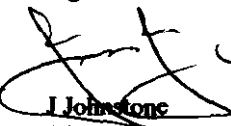
A resolution to re-appoint Ritsons as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office
15 Atholl Crescent
Edinburgh
EH3 8AH

Signed on behalf of the directors


J Johnstone
Director

Approved by the directors on 24 Jan 2007

FYNEGOLD EXPLORATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 2005

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

select suitable accounting policies, as described on page 8, and then apply them consistently,

make judgements and estimates that are reasonable and prudent; and

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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

FYNEGOLD EXPLORATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FYNEGOLD EXPLORATION LIMITED
YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Fynergold Exploration Limited for the year ended 31 December 2005 on pages 6 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT 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.

FYNEGOLD EXPLORATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FYNEGOLD EXPLORATION LIMITED (continued)

YEAR ENDED 31 DECEMBER 2005

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and

the financial statements have been properly prepared in accordance with the Companies Act 1985

EMPHASIS OF MATTER – FIXED ASSETS AND GOING CONCERN

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the realisation of tangible and intangible fixed assets. The realisation of the intangible and tangible fixed assets of £3,581,998 and £2,491,646 is dependant on the discovery and development of economic mineral deposits as explained in note 1. We have also considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of negotiations for additional finance and for an extension to existing planning consents and for the renewal of the Crown mineral lease to facilitate a resumption of exploration at the company's Cononish Property. The financial statements have been prepared on a going concern basis the validity of which depends on future funding being available, an extension to the existing planning consent and the renewal of the mineral lease. The financial statements do not include any adjustments which would result from a failure to obtain sufficient funding or an extension to the planning consent and a renewal of the mineral lease. Details of the circumstances relating to the emphasis of matter are set out in note 14. Our opinion is not qualified in this respect.

27 Huntly Street
Inverness
IV3 5PR

29th January, 2007

RITSONS
Chartered Accountants
& Registered Auditors

FYNEGOLD EXPLORATION LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

| | Note | 2005 £ | 2004 £ |
|---|----------|------------------|----------------|
| TURNOVER | | — | — |
| Administrative expenses | | (39,720) | (29,225) |
| Un-realised foreign currency (losses)/gains | | (324,271) | 225,281 |
| OPERATING (LOSS)/PROFIT | 2 | (363,991) | 196,056 |
| Interest receivable | | 101 | 125 |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (363,890) | 196,181 |
| Tax on (loss)/profit on ordinary activities | 3 | 14 | 38 |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (363,904) | 196,143 |

The notes on pages 8 to 11 form part of these financial statements.

FYNEGOLD EXPLORATION LIMITED

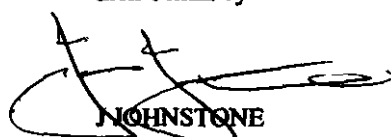
BALANCE SHEET

31 DECEMBER 2005

| | Note | 2005 £ | 2004 £ |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 5 | 3,581,998 | 3,581,998 |
| Tangible assets | 6 | 2,491,646 | 2,491,646 |
| | | <u>6,073,644</u> | <u>6,073,644</u> |
| CURRENT ASSETS | | | |
| Debtors | 7 | 8,040 | — |
| Cash at bank | | 6,662 | 6,818 |
| | | <u>14,702</u> | <u>6,818</u> |
| CREDITORS: Amounts falling due within one year | 8 | <u>2,130,446</u> | <u>1,883,862</u> |
| NET CURRENT LIABILITIES | | (2,115,744) | (1,877,044) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,957,900</u> | <u>4,196,600</u> |
| CREDITORS: Amounts falling due after more than one year | 9 | <u>1,169,762</u> | <u>1,044,558</u> |
| | | <u>2,788,138</u> | <u>3,152,042</u> |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital | 11 | 3,723,481 | 3,723,481 |
| Profit and loss account | 12 | (935,343) | (571,439) |
| SHAREHOLDERS' FUNDS | | <u>2,788,138</u> | <u>3,152,042</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

These financial statements were approved by the directors on the 24 Jan 2007 and are signed on their behalf by:


JOHNSTONE
Director

The notes on pages 8 to 11 form part of these financial statements

FYNEGOLD EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). All revenues and expenditures directly related to mineral exploration are deferred or capitalised. All other costs are included in the profit and loss account.

Foreign currencies

Sterling is the reporting currency of the company. Assets and liabilities other than those in sterling are translated as follows:

- (i) Current assets and current liabilities at year end rates
- (ii) All other assets, including deferred exploration costs, at historical rates

Revenue and expenses transactions, in currencies other than pounds sterling, are translated at rates prevailing when the transactions take place, except for depreciation and amortisation, which are translated at historical rates. Gains or losses on conversion and translation are included in the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Intangible fixed assets

Exploration expenditures are capitalised until the results of the related projects are known. If a project is successful, the related expenditures will be amortised over the life of the estimated ore reserves on the unit of production basis. Provision for loss is made where a project is abandoned or considered to be of no further interest to the company.

Tangible fixed assets

- (i) Mining and mineral development properties

Expenditure on the acquisition and development of properties are capitalised until production commences and are amortised over the life of the estimated ore reserves on a unit of production basis. Provision for loss is made where a project is abandoned or considered to be of no further interest to the company.

- (ii) Other tangible assets

Other tangible fixed assets are recorded at cost and are depreciated in equal instalments over five years. Depreciation is not charged on freehold land.

FYNEGOLD EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

2. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting).

| | 2005 | 2004 |
|---|----------------|------------------|
| | £ | £ |
| Directors' emoluments | — | — |
| Auditor's fees | 800 | 800 |
| Net loss/(profit) on foreign currency translation | <u>324,271</u> | <u>(225,281)</u> |

3. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the year.

4. TAXATION ON ORDINARY ACTIVITIES

| | 2005 | 2004 |
|--|-----------|-----------|
| | £ | £ |
| Current tax. | | |
| UK Corporation tax based on the results for the year at 30% (2004 - 30%) | 14 | 38 |
| Total current tax | <u>14</u> | <u>38</u> |

5. INTANGIBLE FIXED ASSETS

| | Mineral Exploration Costs £ |
|--|-----------------------------------|
| COST | |
| At 1 January 2005 and 31 December 2005 | <u>3,581,998</u> |
| AMORTISATION | |
| At 1 January 2005 and 31 December 2005 | <u>—</u> |
| NET BOOK VALUE | |
| At 31 December 2005 | <u>3,581,998</u> |
| At 31 December 2004 | <u>3,581,998</u> |

FYNEGOLD EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

6. TANGIBLE FIXED ASSETS

| | Mining Property £ | Furniture & Fittings £ | Total £ |
|--|-------------------------|------------------------------|------------------|
| COST | | | |
| At 1 January 2005 and 31 December 2005 | <u>2,491,646</u> | <u>25,847</u> | <u>2,517,493</u> |
| DEPRECIATION | | | |
| At 1 January 2005 and 31 December 2005 | <u>—</u> | <u>(25,847)</u> | <u>(25,847)</u> |
| NET BOOK VALUE | | | |
| At 31 December 2005 | <u>2,491,646</u> | <u>—</u> | <u>2,491,646</u> |
| At 31 December 2004 | <u>2,491,646</u> | <u>—</u> | <u>2,491,646</u> |

7. DEBTORS

| | 2005 £ | 2004 £ |
|--------------------------------|--------------|-----------|
| Prepayments and accrued income | <u>8,040</u> | <u>—</u> |

8. CREDITORS: Amounts falling due within one year

| | 2005 £ | 2004 £ |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts | 245,334 | 192,650 |
| Trade creditors | 3,036 | 8,199 |
| Amounts owed to group undertakings | 1,859,855 | 1,660,788 |
| Other creditors including taxation | | |
| Corporation tax | 7,221 | 7,225 |
| Other creditors | <u>15,000</u> | <u>15,000</u> |
| | <u>22,221</u> | <u>22,225</u> |
| | <u>2,130,446</u> | <u>1,883,862</u> |

9. CREDITORS: Amounts falling due after more than one year

| | 2005 £ | 2004 £ |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | <u>1,169,762</u> | <u>1,044,558</u> |

10. RELATED PARTY TRANSACTIONS

At 31 December 2005, the company had balances with related parties as follows

| | 2005 £ | 2004 £ |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | <u>3,266,267</u> | <u>2,897,996</u> |

FYNEGOLD EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

11. SHARE CAPITAL

Authorised share capital:

| | 2005 £ | 2004 £ |
|---------------------------------------|-------------------|-------------------|
| 25,000,000 Ordinary shares of £1 each | <u>25,000,000</u> | <u>25,000,000</u> |

Allotted, called up and fully paid:

| | 2005 | | 2004 | |
|----------------------------|------------------|------------------|------------------|------------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>3,723,481</u> | <u>3,723,481</u> | <u>3,723,481</u> | <u>3,723,481</u> |

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

| | Share capital £ | Profit and loss account £ | Total share- holders' funds £ |
|-------------------------|--------------------|---------------------------------|-------------------------------------|
| Balance brought forward | 3,723,481 | (571,439) | 3,152,042 |
| Loss for the year | — | (363,904) | (363,904) |
| Balance carried forward | <u>3,723,481</u> | <u>(935,343)</u> | <u>2,788,138</u> |

13. ULTIMATE PARENT COMPANY

The directors regard Oak Consortium, a partnership governed by Swiss law, as the company's ultimate parent company

14. FINANCE AND CONSENTS

The Cononish Gold Mine was placed on a care and maintenance basis in April 2001. A resumption of exploration will require an injection of additional finance. The directors are engaged in ongoing discussions aimed at securing partners to fund this work but, to date, no agreement has been concluded. The Oak Consortium continues to fund the company. The planning permission for the Cononish Gold Mine expires in March 2007. The existing Crown mineral lease will terminate in July 2007. Successful completion of the mine development will require an extension to the planning consents and the mineral lease. The directors have entered discussions with the planning authorities with a view to seeking an extension to the planning consent but these discussions have yet to be concluded. The directors intend to apply for renewal of the Crown mineral lease but the discussions have yet to be initiated.