

COMPANY REGISTRATION NUMBER SC084497

FYNEGOLD EXPLORATION LIMITED
FINANCIAL STATEMENTS

31 DECEMBER 2004



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COMPANIES HOUSE 28/10/05

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

FYNEGOLD EXPLORATION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	F C Harvey J Johnstone S E Hayden
Company secretary	Brodies WS
Registered office	15 Atholl Crescent Edinburgh EH3 8AH
Auditors	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 2004

The directors present their report and the financial statements of the company for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

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

FC Harvey
J Johnstone
SE Hayden

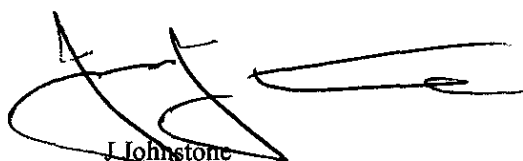
The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

AUDITORS

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

Registered office:
15 Atholl Crescent
Edinburgh
EH3 8AH

Signed by order of the directors



J. Johnstone
Director

Approved by the directors on 21 Oct 2005

FYNEGOLD EXPLORATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 2004

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF
FYNEGOLD EXPLORATION LIMITED****YEAR ENDED 31 DECEMBER 2004**

We have audited the financial statements on pages 5 to 10 which have been prepared on the basis of the accounting policies set out on page 7.

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 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 auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 consider 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the realisation of the intangible and tangible fixed assets. The realisation of the intangible and tangible fixed assets of £3,581,998 and £2,491,646 is dependent 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 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 upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain funding or an extension to the planning consent. Details of the circumstances relating to the fundamental uncertainty are described in Note 12 to the accounts. Our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ritsons

Chartered Accountants

Registered Auditor

27th October, 2005.

FYNEGOLD EXPLORATION LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

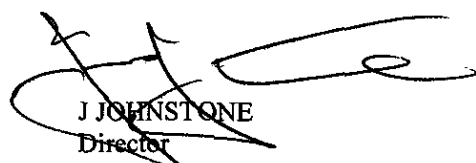
	Note	2004 £	2003 £
TURNOVER		—	—
Administrative expenses		(29,225)	(32,353)
Un-realised foreign currency gains		225,281	319,027
OPERATING PROFIT	2	196,056	286,674
Interest receivable		125	61
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		196,181	286,735
Tax on profit on ordinary activities		37	35
RETAINED PROFIT FOR THE FINANCIAL YEAR		196,144	286,700
Balance brought forward		(767,582)	(1,054,282)
Balance carried forward		(571,438)	(767,582)

The notes on pages 7 to 10 form part of these financial statements.

FYNEGOLD EXPLORATION LIMITED**BALANCE SHEET****31 DECEMBER 2004**

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	4	3,581,998	3,581,998
Tangible assets	5	2,491,646	2,491,646
		<u>6,073,644</u>	<u>6,073,644</u>
CURRENT ASSETS			
Cash at bank		6,818	16,503
CREDITORS: Amounts falling due within one year	6	<u>1,883,861</u>	<u>2,002,707</u>
NET CURRENT LIABILITIES		<u>(1,877,043)</u>	<u>(1,986,204)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,196,601</u>	<u>4,087,440</u>
CREDITORS: Amounts falling due after more than one year	7	<u>1,044,558</u>	<u>1,131,541</u>
		<u>3,152,043</u>	<u>2,955,899</u>
CAPITAL AND RESERVES			
Called-up equity share capital	9	3,723,481	3,723,481
Profit and loss account		<u>(571,438)</u>	<u>(767,582)</u>
SHAREHOLDERS' FUNDS		<u>3,152,043</u>	<u>2,955,899</u>

These financial statements were approved by the directors on the 21 Oct 2005 and are signed on their behalf by:


J JOHNSTONE
Director

The notes on pages 7 to 10 form part of these financial statements.

FYNEGOLD EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. All revenues and expenditures directly related to mineral exploration are deferred or capitalised. All other costs are included in the profit and loss account.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cashflow statement.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

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.

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 2004

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Directors' emoluments	—	—
Auditors' remuneration		
- as auditors	800	800
Net profit on foreign currency translation	<u>(225,281)</u>	<u>(319,027)</u>

3. PARTICULARS OF EMPLOYEES

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

4. INTANGIBLE FIXED ASSETS

	Mineral Exploration Costs £
COST	
At 1st January 2004 and 31st December 2004	<u>3,581,998</u>
AMORTISATION	<u>—</u>
NET BOOK VALUE	
At 31st December 2004	<u>3,581,998</u>
At 31st December 2003	<u>3,581,998</u>

5. TANGIBLE FIXED ASSETS

	Mining Property £	Furniture & Fittings £	Total £
COST			
At 1st January 2004 and 31st December 2004	<u>2,491,646</u>	<u>25,847</u>	<u>2,517,493</u>
DEPRECIATION			
At 1st January 2004	<u>—</u>	<u>25,847</u>	<u>25,847</u>
At 31st December 2004	<u>—</u>	<u>25,847</u>	<u>25,847</u>
NET BOOK VALUE			
At 31st December 2004	<u>2,491,646</u>	<u>—</u>	<u>2,491,646</u>
At 31st December 2003	<u>2,491,646</u>	<u>—</u>	<u>2,491,646</u>

FYNEGOLD EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

6. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Trade creditors	8,198	5,783
Amounts owed to group undertakings	1,853,438	1,974,736
Other creditors including taxation:		
Corporation tax	7,225	7,188
Other creditors	15,000	15,000
	<u>22,225</u>	<u>22,188</u>
	<u>1,883,861</u>	<u>2,002,707</u>

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

	2004	2003
	£	£
Amounts owed to group undertakings	<u>1,044,558</u>	<u>1,131,541</u>

8. RELATED PARTY TRANSACTIONS

At 31 December 2004 the company had balances with related parties as follows:

	2004	2003
	£	£
Amounts owed to group undertakings	<u>1,044,558</u>	<u>2,930,627</u>

9. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
25,000,000 Ordinary shares of £1 each	<u>25,000,000</u>	<u>25,000,000</u>

Allotted, called up and fully paid:

	2004	2003
	£	£
Ordinary share capital	<u>3,723,481</u>	<u>3,723,481</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	196,144	286,700
Opening shareholders' equity funds	<u>2,955,899</u>	<u>2,669,199</u>
Closing shareholders' equity funds	<u>3,152,043</u>	<u>2,955,899</u>

FYNEGOLD EXPLORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

11. ULTIMATE PARENT COMPANY

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

12. FINANCE AND PLANNING CONSENT

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. Successful completion of the mine development will require an extension to the existing planning consents. The directors have entered discussions with the planning authority but these discussions have yet to be concluded.