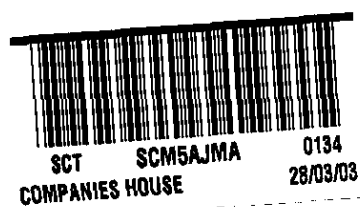


**FYNEGOLD EXPLORATION LIMITED**  
**FINANCIAL STATEMENTS**

**31ST DECEMBER 2001**

**Company Registration Number SC084497**



**RITSONS**

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

**FYNEGOLD EXPLORATION LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

FC Harvey  
J Johnstone  
SE 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 31ST DECEMBER 2001**

The directors present their report and the financial statements of the company for the year ended 31st December 2001.

**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.

**THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**

The directors who served the company during the year, none of whom had a beneficial interest in the share capital, were as follows:

SE Hayden  
FC Harvey  
J Johnstone

The company is a wholly owned subsidiary and the interests of 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



F C HARVEY  
Director

Approved by the directors on 18/03/2003.

# **FYNEGOLD EXPLORATION LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **YEAR ENDED 31ST DECEMBER 2001**

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 page 7, and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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****AUDITORS' REPORT****To the members of Fynegold Exploration Limited****YEAR ENDED 31ST DECEMBER 2001**

We have audited the financial statements on pages 5 to 12 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.

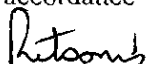
We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 to fund 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. 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ritsons  
Chartered Accountants  
Registered Auditor

25<sup>th</sup> March, 2003.

**FYNEGOLD EXPLORATION LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 31ST DECEMBER 2001**

	Note	2001 £	2000 £
<b>TURNOVER</b>		-	-
Administrative expenses		(32,036)	(58,263)
Foreign currency gains/(losses)		(94,020)	(276,932)
<b>OPERATING LOSS</b>	<b>2</b>	<u>(126,056)</u>	<u>(335,195)</u>
Interest receivable		54	92
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(126,002)</u>	<u>(335,103)</u>
Taxation		-	548
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(126,002)</u>	<u>(334,555)</u>
Balance brought forward		(1,236,825)	(902,270)
Balance carried forward		<u>(1,362,827)</u>	<u>(1,236,825)</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

## FYNEGOLD EXPLORATION LIMITED

## BALANCE SHEET

31ST DECEMBER 2001

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
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>
<b>CURRENT ASSETS</b>			
Cash at bank		863	8,219
<b>CREDITORS: Amounts falling due within one year</b>	6	<u>2,326,916</u>	<u>2,244,572</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,326,053)</u>	<u>(2,236,353)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,747,591</u>	<u>3,837,291</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	7	<u>1,386,937</u>	<u>1,350,635</u>
		<u>2,360,654</u>	<u>2,486,656</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	9	3,723,481	3,723,481
Profit and Loss Account		<u>(1,362,827)</u>	<u>(1,236,825)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>2,360,654</u>	<u>2,486,656</u>

These financial statements were approved by the directors on the 13/03/2003 and are signed on their behalf by:



F C HARVEY  
Director

**FYNEGOLD EXPLORATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 2001****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 31ST DECEMBER 2001****2. OPERATING LOSS**

Operating loss is stated after charging/(crediting):

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Depreciation	-	14,721
Loss on disposal of fixed assets		-
Auditors' remuneration		
- as auditors	750	750
Net loss/(profit) on foreign currency translation	<u>94,020</u>	<u>276,932</u>

**3. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
Number of administrative staff	3	3
Number of development staff	-	-
	<u>3</u>	<u>3</u>

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

**FYNEGOLD EXPLORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2001**

**4. INTANGIBLE FIXED ASSETS**

	<b>Mineral Exploration Costs £</b>
<b>COST</b>	
At 1st January 2001	3,581,998
Additions	-
<b>At 31st December 2001</b>	<u>3,581,998</u>
<b>AMORTISATION</b>	-
<b>NET BOOK VALUE</b>	
<b>At 31st December 2001</b>	<u>3,581,998</u>
At 31 <sup>st</sup> December 2000	<u>3,581,998</u>

**FYNEGOLD EXPLORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2001**

**5. TANGIBLE FIXED ASSETS**

	<b>Mining Property £</b>	<b>Furniture &amp; Fittings £</b>	<b>Total £</b>
<b>COST</b>			
At 1st January 2001 and 31st December 2001	<u>2,491,646</u>	<u>25,847</u>	<u>2,517,493</u>
<b>DEPRECIATION</b>			
At 1st January 2001	-	25,847	25,847
Charge for year	-	-	-
At 31st December 2001	<u>-</u>	<u>25,847</u>	<u>25,847</u>
<b>NET BOOK VALUE</b>			
At 31st December 2001	<u>2,491,646</u>	<u>-</u>	<u>2,491,646</u>
At 31st December 2000	<u>2,491,646</u>	<u>-</u>	<u>2,491,646</u>

**6. CREDITORS: Amounts falling due within one year**

	<b>2001 £</b>	<b>2000 £</b>
Trade creditors	10,433	14,843
Amounts owed to group undertakings	2,294,302	2,207,534
Other creditors including taxation and social security:		
Corporation tax	7,181	7,195
Other creditors	<u>15,000</u>	<u>15,000</u>
	22,181	22,195
	<u>2,326,916</u>	<u>2,244,572</u>

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

	<b>2001 £</b>	<b>2000 £</b>
Amounts owed to group undertakings	<u>1,386,937</u>	<u>1,350,635</u>

**FYNEGOLD EXPLORATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2001**

**8. RELATED PARTY TRANSACTIONS**

At 31 December 2001 the company had balances with related parties as follows:

	<b>2001</b> £	2000 £
Amounts owed to group undertakings	<u>3,681,239</u>	<u>3,558,169</u>

**9. SHARE CAPITAL**

Authorised share capital:

	<b>2001</b> £	2000 £
25,000,000 Ordinary shares of £1 each	<u>25,000,000</u>	<u>25,000,000</u>

Allotted, called up and fully paid:

	<b>2001</b> £	2000 £
Ordinary share capital	<u>3,723,481</u>	<u>3,723,481</u>

**10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2001</b> £	2000 £
Loss for the financial year	(126,002)	(334,555)
Opening shareholders' equity funds	<u>2,486,656</u>	<u>2,821,211</u>
Closing shareholders' equity funds	<u>2,360,654</u>	<u>2,486,656</u>

# **FYNEGOLD EXPLORATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2001**

### **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**

The Cononish gold mine was placed on a care and maintenance basis in April 2000. 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.