

PHILIPPINE GOLD LIMITED

(formerly Philippine Gold PLC)

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2001

Registered number: 666509



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DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2001.

Principal activity

The company provides management and financial support to its subsidiaries whose principal activities are the exploration, mining and processing of precious and base metals.

Business review

The company continues to support its subsidiaries in the development of mining and exploration interests in the Philippines.

Results and dividends

The results for the period are set out on page 6. The Directors do not recommend payment of a dividend (2000: £nil).

Directors and their interests

None of the Directors had any beneficial interest in the share capital of the company or of any other UK. The Directors' interests in the share capital of Thistle, the ultimate parent company, are shown in the accounts of that company.

The directors who served during the year were:

D Acheson
W P McLucas
H H McKenzie

D Acheson resigned as a director with effect from 1 May 2002.

Political and charitable donations

The company made no political or charitable contributions during the year.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies 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.

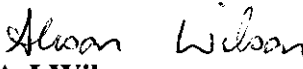
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the Annual General Meeting of the company.

**Southampton House
317 High Holborn
London
WC1 7NL**

By order of the Board


**A J Wilson
Secretary**



KPMG Audit Plc
P O Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent Auditors' report to the members of Philippine Gold Limited

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 inconsistent 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 transactions with the company is not disclosed.

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 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 September 2002

**PROFIT AND LOSS ACCOUNT
 FOR THE YEAR
 ENDED 31 DECEMBER 2001**

| | Notes | 2001 £ | 2000 £ |
|---|-------|------------------|------------------|
| Administration expenses | 2 | (201,303) | (571,394) |
| Other operating income | | <u>1,178,923</u> | <u>554,508</u> |
| Operating profit/(loss) | | 977,620 | (16,886) |
| Amounts written off investments | | (7,382) | (107,205) |
| Interest receivable and similar income | 3 | 740 | 11,989 |
| Interest payable and similar charges | 4 | <u>(672,877)</u> | <u>(209,820)</u> |
| Profit/(loss) on ordinary activities before taxation | 2 | 298,101 | (321,922) |
| Tax on profit/(loss) on ordinary activities | 7 | <u>-</u> | <u>(27,252)</u> |
| Profit/(loss) for the financial year | | <u>298,101</u> | <u>(349,174)</u> |

The results have been derived entirely from continuing operations.

The profit for the financial period equates to the historical cost profit for the financial period.

There are no gains or losses in either period other than those recognised in the profit and loss accounts above.

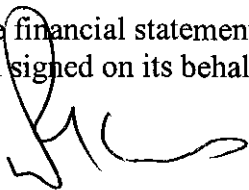
Other operating income includes amounts relating to prior year liabilities no longer required.

The notes on pages 8 to 14 form part of these financial statements.

**BALANCE SHEET
AS AT 31 DECEMBER 2001**

| | Notes | 2001 | | 2000 | |
|---|-------|--------------------|---------------------|--------------------|---------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 8 | | 5,982,648 | | 6,128,232 |
| Office equipment | 9 | | <u>1,534</u> | | <u>-</u> |
| | | | 5,984,182 | | 6,128,232 |
| Current assets | | | | | |
| Debtors | 10 | 3,991 | | 36,354 | |
| Cash at bank | | <u>2,138</u> | | <u>141,626</u> | |
| | | 6,129 | | 177,980 | |
| Creditors: Amounts falling due within one year | 11 | <u>(5,377,250)</u> | | <u>(5,991,252)</u> | |
| Net current liabilities | | | <u>(5,371,121)</u> | | <u>(5,813,272)</u> |
| Net assets | | | <u>613,061</u> | | <u>314,960</u> |
| Capital and reserves | | | | | |
| Called-up share capital | 12 | | 8,481,058 | | 8,481,058 |
| Share premium account | 13 | | 50,353,394 | | 50,353,394 |
| Profit and loss account | 13 | | <u>(58,221,391)</u> | | <u>(58,519,492)</u> |
| Equity shareholder's funds | | | <u>613,061</u> | | <u>314,960</u> |

The financial statements were approved by the Board of Directors on 16 September 2002, and signed on its behalf by:



William McLucas
Director

The notes on pages 8 to 14 form part of these financial statements

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

1. Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The Company has taken advantage of the provision of Section 248 of the Companies Act 1985 and not produced consolidated accounts. Consequently these financial statements present information about the company as an individual undertaking and not about its group.

Basis of accounting

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

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|------------------|---|---------|
| Office Equipment | - | 3 years |
|------------------|---|---------|

No depreciation is provided on freehold land or on assets in the course of construction.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

1. Statement of accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

| | 2001 | 2000 |
|-----------------------------------|--------------------|------------------|
| | £ | £ |
| Auditors' remuneration: | | |
| Audit | 17,500 | 17,500 |
| Depreciation and amounts written | | |
| off owned fixed assets: | 139 | 752 |
| Discounts received from creditors | <u>(1,178,699)</u> | <u>(522,002)</u> |

3. Interest receivable and similar income

| | 2001 | 2000 |
|--------------------------|-------------|---------------|
| | £ | £ |
| Bank interest receivable | 740 | 11,489 |
| Other | - | 500 |
| | <u>740</u> | <u>11,989</u> |

4. Interest payable and similar charges

| | 2001 | 2000 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Bank and similar interest payable | 1,034 | 1,806 |
| Loan note interest | 484,165 | 472,795 |
| Exchange losses/(gains) | 187,678 | (264,781) |
| | <u>672,877</u> | <u>209,820</u> |

5. Staff costs

The average monthly number of employees (including directors) was:

| | 2001 | 2000 |
|----------------|---------------|---------------|
| | Number | Number |
| Administration | <u>4</u> | <u>4</u> |

Their aggregate remuneration comprised:

| | £ | £ |
|-----------------------|---------------|---------------|
| Wages and salaries | 17,500 | 88,725 |
| Social security costs | <u>1,933</u> | <u>1,131</u> |
| | <u>19,433</u> | <u>89,856</u> |

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

6. Directors' remuneration

| | 2001 £ | 2000 £ |
|-----------------------|---------------|---------------|
| Directors' emoluments | <u>17,500</u> | <u>88,725</u> |

7. Tax on profit/(loss) on ordinary activities

| | 2001 £ | 2000 £ |
|----------------------------------|-----------|---------------|
| The tax charge comprises: | | |
| Income tax on loan note interest | - | 27,252 |
| Corporation tax at 30% | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>27,252</u> |

8. Investments

| | Shares in Group Undertakings £ | Loans to Group Undertakings £ | Total £ |
|-----------------------|---|--|---------------------|
| Cost | | | |
| At 1 January 2001 | 1,344,983 | 51,191,966 | 52,536,949 |
| Additions in year | - | - | - |
| Written off in year | (7,382) | - | (7,382) |
| Repaid in year | <u>-</u> | <u>(138,202)</u> | <u>(138,202)</u> |
| At 31 December 2001 | <u>1,337,601</u> | <u>51,053,764</u> | <u>52,391,365</u> |
| Provision | | | |
| At 1 January 2001 | - | (46,408,717) | (46,408,717) |
| Provision in the year | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 December 2001 | <u>-</u> | <u>(46,408,717)</u> | <u>(46,408,717)</u> |
| Net Book Value | | | |
| At 31 December 2001 | <u>1,337,601</u> | <u>4,645,047</u> | <u>5,982,648</u> |
| Net Book Value | | | |
| At 31 December 2000 | <u>1,344,983</u> | <u>4,783,249</u> | <u>6,128,232</u> |

**NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2001**

8. Investments (continued)

Additional information on company investments is as follows:

| | Country of Incorporation | Percentage Holding | Nature of Business |
|---|-------------------------------------|-------------------------------|-------------------------------|
| Filminera Resources Corporation | Philippines | 40% | Mining |
| Philippine Gold Processing & Refining Corporation | Philippines | 100% | Mining |

9. Office Equipment

| | Cost | Depreciation | Net Book Value |
|----------------------------|---------------------|---------------------|---------------------------|
| | £ | £ | £ |
| At 1 January 2001 | - | - | - |
| Additions during the year | <u>1,673</u> | <u>139</u> | <u>1,534</u> |
| At 31 December 2001 | <u>1,673</u> | <u>139</u> | <u>1,534</u> |

10. Debtors

| | 2001 £ | 2000 £ |
|--------------------------------------|-------------------|-------------------|
| Amounts falling due within one year: | | |
| Vat recoverable | <u>3,991</u> | <u>36,354</u> |

11. Creditors amounts falling due within one year

| | 2001 £ | 2000 £ |
|-------------------------------------|-------------------|-------------------|
| Trade creditors | 317,214 | 1,592,995 |
| Loan Notes repayable within 1 year: | | |
| Thistle Mining Inc. | <u>5,060,036</u> | <u>4,398,257</u> |
| | <u>5,377,250</u> | <u>5,991,252</u> |

**NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2001**

12. Called-up share capital

| | 2001 £ | 2000 £ |
|--|-------------------|-------------------|
| Authorised: 300,000,000 ordinary shares of £0.05 each | <u>15,000,000</u> | <u>15,000,000</u> |
| Called up, issued and fully paid: | | |
| At 1 January 2001 | | |
| 169,621,158 ordinary shares of £0.05 each (2000: 84,582,881) | 8,481,058 | 4,229,144 |
| Issued during year (2000: 85,038,277) | <u>-</u> | <u>4,251,914</u> |
| At 31 December 2000 | | |
| 169,621,158 ordinary shares of £0.05 each (2000: 169,621,158) | <u>8,481,058</u> | <u>8,481,058</u> |

13. Statement of movement in reserves

| | Share Premium Account £ | Profit and loss Account £ |
|--------------------------|----------------------------------|------------------------------------|
| At 1 January 2001 | 50,353,394 | (58,519,492) |
| Retained profit for year | <u>-</u> | <u>298,101</u> |
| At 31 December 2001 | <u>50,353,394</u> | <u>(58,221,391)</u> |

14. Guarantees and other financial commitments

a) Capital commitments

At the end of the period there were no capital commitments (2000: £nil).

b) Contingent liabilities

At the end of the year there were no contingent liabilities. (2000: £nil)

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**

15. Related party transactions

The company, as a wholly owned subsidiary has taken advantage of the exemption granted under Financial Reporting Standard 8, Related Parties, to not disclose details of transactions with other members of the group headed by Thistle Mining Inc.

16. Cash flow statement

The company is exempt from the requirements of Financial Reporting Standard 1 to include a cash flow statement as it is a wholly owned subsidiary undertaking of Thistle Mining Inc, which publishes a consolidated cash flow statement.

17. Ultimate parent company

The ultimate parent undertaking is Thistle Mining Inc, a company incorporated under the Yukon Business Corporation Act in Canada. The statutory accounts of Thistle Mining Inc are available from its registered office, 120 Adelaide Street West, Toronto, Ontario, Canada M5H 1T1.