

# **Philippine Gold Limited**

## **Report and Financial Statements**

30 June 2014

MONDAY



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COMPANIES HOUSE

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**Directors**

M Cinnamond  
R Richer

**Secretary**

A Wilson

**Auditors**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

**Registered Office**

26 Red Lion Square  
London WC1R 4AG

Registered No. 666509

## **Directors' report**

The directors present their report and financial statements for the year ended 30 June 2014.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Results and dividends**

The profit for the year after taxation amounted to US\$26,917,905 (2013 – loss of US\$22,357). The directors do not recommend a final dividend (2013 – US\$ nil). During the year it was decided to record an impairment reversal in respect of historic provisions against investments of \$26,967,580 following a formal market valuation.

### **Principal activities and review of the business**

Philippine Gold Limited (the company) provides management and financial support to its associate Filminera Resources Limited (Filminera) and carries an investment in Philippine Gold Processing and Refining Corporation (PGPRC) whose principal activities are the development of the Masbate Gold project in the Philippines. The directors do not anticipate any change in the foreseeable future.

The board of the ultimate parent undertaking is responsible for the oversight of the group entities risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the board for the risk management and control framework.

Arrangements put in place by the board to monitor risk management include monthly reporting to the board in respect of operations and the financial position of the group entity.

The company continues to support its subsidiary and associate in the development of mining and exploration interests in the Philippines. In August 2006, the Company registered a regional operating headquarters (ROHQ) in the Philippines to provide consulting services to its subsidiary and associate.

The company has net assets of \$23,903,698 (2013 – net liabilities \$3,014,207) at the balance sheet date and net current liabilities of \$31,445,625 (2013 – US\$31,340,390). Of the net current liabilities \$31,341,281 (2013 - \$31,228,615) are loans payable to the ultimate parent company. We have obtained a letter of confirmation from the group companies owed the monies to confirm that they will not seek repayment of the monies for at least a period of 12 months from the date of signing off the financial statements or if earlier until the company has sufficient reserves to fulfil all of its obligations as and when they fall due.

### **Financial risk management**

**Credit risk** – Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The B2Gold Corp Group monitors credit risk through reviewing inputs to the valuation model used to determine future cash flows of Filminera to determine if any impairment exists. To date there have been no indicators which would cause the Group to further impair the investment in Filminera.

**Gold price risk** – The B2Gold Corp Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financiers, a variety of financial instruments are used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams.

Registered No. 666509

## **Directors' report (Continued)**

**Interest rate risk** – The B2Gold Corp Group constantly analyses its interest rate exposure. Consideration is given to the potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

**Foreign currency risk** – The B2Gold Corp Group's policy is to manage its foreign currency exposure through holding its cash largely in USD, being the same currency as the majority of its costs. As a result the B2Gold Corp Group does not have a material exposure to foreign currency risk.

**Liquidity risk** – The responsibility for liquidity risk rests with the Board of Directors. The Company's objective is to maintain a balance between continuity funding and flexibility through use of bank loans, promissory notes and warrant issues.

### **Director**

The directors who held office during the year and up to the date of signing the financial statements are given below:

M Corra (resigned 1 April 2014)  
R Richer  
M Cinnamond (appointed 1 April 2014)

### **Political and charitable donations**

The company made no political or charitable contributions during the year (2013 – US\$ nil).

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



Secretary

Date: 20 April 2015

## **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **Independent auditors' report to the members of Philippine Gold Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Philippine Gold Limited, comprise:

- Balance sheet as at 30 June 2014;
- Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Mark Hoskyns-Abraham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

20 April 2015

## Profit and loss account

for the year ended 30 June 2014

	Notes	2014 US\$	2013 US\$
<b>Turnover</b>	2	6,568,121	7,510,281
Administrative expenses		<u>(6,550,164)</u>	<u>(7,468,494)</u>
<b>Operating profit</b>	3	17,957	41,787
Interest payable and similar charges	6	(67,632)	(64,144)
Release of impairment	8	<u>26,967,580</u>	<u>-</u>
<b>Profit/(Loss) on ordinary activities before taxation</b>		26,917,905	(22,357)
Tax on profit/(loss) on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Profit/(Loss) for the financial year</b>	13	<u>26,917,905</u>	<u>(22,357)</u>

All amounts relate to continuing activities.

There have been no recognised gains or losses during either 2014 or 2013 other than as disclosed in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There were no material differences between the results as disclosed above and the results on an unmodified historical cost basis.

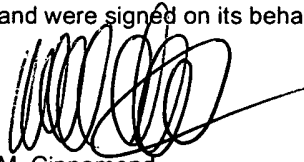


## Balance sheet

at 30 June 2014

	Notes	2014 US\$	2013 US\$
<b>Fixed assets</b>			
Investments	8	55,349,319	28,325,489
Office equipment	9	4	694
		<u>55,349,323</u>	<u>28,326,183</u>
<b>Current assets</b>			
Debtors	10	35,850	6,434
Cash at bank and in hand		<u>142,857</u>	<u>66,800</u>
		178,707	73,234
<b>Creditors: amounts falling due within one year</b>	11	(31,624,332)	(31,413,624)
<b>Net current liabilities</b>		<u>(31,445,625)</u>	<u>(31,340,390)</u>
<b>Net assets/(liabilities)</b>		<u>23,903,698</u>	<u>(3,014,207)</u>
<b>Capital and reserves</b>			
Called up share capital	12	12,582,316	12,582,316
Share premium	13	74,703,216	74,703,216
Profit and loss account	13	<u>(63,381,834)</u>	<u>(90,299,739)</u>
<b>Total shareholders' funds</b>	13	<u>23,903,698</u>	<u>(3,014,207)</u>

The financial statements on pages 7 to 14 were approved by the Board of directors on and were signed on its behalf by:



M. Cinnamond

Director

20 April 2015

## Notes to the financial statements

at 30 June 2014

### 1. Accounting policies

#### *Basis of preparation*

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

#### *Going concern*

The financial statements have been prepared on a going concern basis notwithstanding net current liabilities of \$31,445,625, including loans payable to group undertakings of \$31,341,281 (as disclosed in note 11). The directors considers the going concern basis to be appropriate because the company's ultimate parent undertaking, B2Gold Corp has confirmed that it will provide financial support to the company to the extent that money is not otherwise available, for at least a period of 12 months from the date of signing of the financial statements. In particular B2Gold has undertaken that it will not in the ordinary course of business seek repayment of the loans payable to group undertakings referred to above for a period through to positive cash generation or for at least 12 months from the date of signing these financial statements. B2Gold reserve the right to seek repayment of the loans where Philippine Gold Limited receive monies from its investments, up to the value of these monies. The directors are satisfied that B2Gold is in a strong position to continue the development of the Masbate Project. In particular B2Gold has a strong balance sheet. For the year ended 31 December 2013, B2Gold generated a profit after tax of US\$ 67.3m and had net assets of US\$ 1,671.4m of which cash in hand amounted to US\$ 252.7m.

#### *Group financial statements*

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. The financial statements, therefore, present information about the company as an individual and not about its group.

#### *Statement of cash flows*

The company has taken advantage of the exemption under FRS 1 (Revised 1996) and a statement of cash flows for the company has not been prepared as its parent undertaking, B2Gold Corp prepares group financial statements which incorporate a statement of cash flow.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	–	15 % reducing balance
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#### *Carrying value of investments in group undertakings*

The company's interest in group undertakings consists of interests in companies developing gold mines in the Philippines. The investment is valued at the lower of cost or net realisable value. Investments are accounted for at cost less amounts written off.

## Notes to the financial statements

at 30 June 2014

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

The financial statements are presented in US\$, which is the Company's functional and presentational currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

### 2. Turnover

Turnover represents consulting fees as invoiced by the Regional Operating Headquarters of the company (ROHQ) in the Philippines against its Philippine subsidiary and associate for services provided by employees of the company. Turnover is recognised in profit or loss when invoiced by the ROHQ.

	2014	2013
	US\$	US\$
Consultancy fees	<u>6,568,121</u>	<u>7,510,281</u>

## Notes to the financial statements

at 30 June 2014

### 3. Operating profit

This is stated after charging/(crediting):

	2014	2013
	US\$	US\$
Auditors' remuneration – audit services	42,587	2,417
Auditors' remuneration – tax services	5,421	-
Depreciation	689	753

### 4. Director's remuneration

The directors are employed by B2Gold Corp, the ultimate parent undertaking. As such, all staff costs associated with their employment are borne by B2Gold Corp.

### 5. Staff costs

	2014	2013
	US\$	US\$
Wages and salaries	6,437,510	7,420,527
Social security costs	8,464	9,330
	<u>6,445,974</u>	<u>7,429,857</u>

The average monthly number of employees, including director, was as follows:

	No.	No.
Administration	1	1
Consulting services (ROHQ)	29	29
	<u>30</u>	<u>30</u>

These costs relate to the employees of the ROHQ who provide consulting services for the company's subsidiary and associate in the Philippines.

### 6. Interest payable and similar charges

	2014	2013
	US\$	US\$
Interest receivable	50	184
Foreign exchange loss	(67,682)	(64,328)
	<u>(67,632)</u>	<u>(64,144)</u>

## Notes to the financial statements

at 30 June 2014

### 7. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2014 US\$	2013 US\$
UK corporation tax at 20% (2013 – 20%)	–	–
Tax on profit/(loss) on ordinary activities (note 7(b))	–	–
(b) Factors affecting tax for the year		

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20% (2013 – 20%). The differences are explained below:

	2014 US\$	2013 US\$
Profit on ordinary activities before tax	26,917,905	(22,357)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 – 20%)	5,383,581	(4,248)
Effects of:		
Income not subject to corporation tax	(5,393,516)	–
Tax losses carried (back)/forward	9,935	4,248
Current tax for the year (note 7(a))	–	–

The company has approximately US\$4.2 million (2013 – US\$4.2 million) of capital and operating tax losses to carry-forward for future years with no fixed expiry terms that have not been recognised as deferred tax assets due to the uncertainty of any future taxable income.

### 8. Investments

	Shares in group undertakings US\$	Loans to group undertakings US\$	Total US\$
Cost:			
At 1 July 2013	24,420,164	71,762,527	96,182,691
Additions during the year	56,250	–	56,250
At 30 June 2014	24,476,414	71,762,527	96,238,941
Provision:			
At 1 July 2013	(22,464,371)	(45,392,831)	(67,857,202)
Reversal of impairment	4,337,276	22,630,304	26,967,580
At 30 June 2014	(18,127,095)	(22,762,527)	(40,889,622)
Net book value:			
At 30 June 2014	6,349,319	49,000,000	55,349,319
At 1 July 2013	1,955,793	26,369,696	28,325,489

## Notes to the financial statements

at 30 June 2014

### 8. Investments (continued)

During the year it was decided to record an impairment reversal in respect of historic provisions. Fair value is considered by the directors to be greater than the revised carrying value of \$55m.

Additional information on company investments is as follows:

	<i>Country of incorporation</i>	<i>Percentage holding</i>	<i>Nature of business</i>
Filminera Resources Corporation	Philippines	40%	Mining
Philippine Gold Processing and Refining Corporation	Philippines	9%	Mining

In the opinion of the directors, the carrying value of the investments are supported by their underlying activities.

### 9. Office equipment

	<i>US\$</i>
Cost:	
At 1 July 2013 and 30 June 2014	<u>9,227</u>
Depreciation:	
At 1 July 2013	(8,533)
Charge for the year	<u>(690)</u>
At 30 June 2014	<u>(9,223)</u>
Net book value:	
At 30 June 2014	<u>4</u>
At 1 July 2013	<u>694</u>

### 10. Debtors

	<i>2014</i>	<i>2013</i>
	<i>US\$</i>	<i>US\$</i>
Advances	<u>35,850</u>	<u>6,434</u>

## Notes to the financial statements

at 30 June 2014

### 11. Creditors: amounts falling due within one year

	2014 US\$	2013 US\$
Other taxes and social security costs	233,613	135,328
Accruals	45,643	45,886
Due to affiliated company	3,795	3,795
Loans payable to group undertakings	31,341,281	31,228,615
	<u>31,624,332</u>	<u>31,413,624</u>

The loan from group undertakings can be called in after 10 days with written notice and is interest free.

### 12. Issued share capital

	No.	2014 US\$	No.	2013 US\$
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 5p each	169,621,158	<u>12,582,316</u>	169,621,158	<u>12,582,316</u>

### 13. Reconciliation of shareholders' funds and movements on reserves

	Share capital US\$	Share premium US\$	Profit and loss account US\$	Total share- holders' funds US\$
At 1 July 2012	12,582,316	74,703,216	(90,277,382)	(2,991,850)
Loss for the year	—	—	(22,357)	(22,357)
At 1 July 2013	12,582,316	74,703,216	(90,299,739)	(3,014,207)
Profit for the year	—	—	26,917,905	26,917,905
At 30 June 2014	<u>12,582,316</u>	<u>74,703,216</u>	<u>(63,381,834)</u>	<u>(23,903,698)</u>

### 14. Related party transactions

As the company was a wholly owned subsidiary during the year, the company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group.

### 15. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is B2Gold Corp, a company incorporated in Canada. The group financial statements of this company are available to the public from its registered office, Suite 3100, 595 Burrard Street, PO Box 49143, Vancouver, BC, Canada V7X 1J1.

### 16. Post balance sheet event

On 31 March 2015, management undertook the decision to engage in a capital reduction, enabling creation of distributable reserves within the business. This is a non-adjusting event for the 2014 financial statements but will take effect in the year ending 30 June 2015.