

PHILIPPINE GOLD LIMITED
(formerly Philippine Gold PLC)
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2000

Together with directors' and auditors' reports

Registered number: 666509



**PHILIPPINE GOLD LIMITED
DIRECTORS REPORT
YEAR ENDED 31 DECEMBER 2000**

The Directors present their annual report and audited financial statements for the year ended 31 December 2000.

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.

The company became a wholly owned subsidiary of Thistle Mining Inc ("Thistle") on 28 July 2000 under a share exchange whereby Thistle acquired all of the shares of the company on a basis of one Thistle share for every 5.5 Philippine Gold shares. A condition of the exchange was that Philippine Gold completes a private placement of at least C\$9.6 million. This placement was underwritten by Canaccord Capital (Europe) Ltd.

As a result of the above the company was re-registered as a private company and its name changed to Philippine Gold Limited on 21 November 2000.

	£
Opening cash balance	16,777
Capital raised – net of expenses (Note 12)	3,990,399
Repayment of Standard Bank on behalf of Thistle Mining Inc.	(2,006,689)
Loans to subsidiaries to pay outstanding creditors (Note 8)	(1,468,386)
Direct payments to creditors and operating expenses	<u>(390,475)</u>
Closing cash balance	<u>141,626</u>

Results and dividends

The results for the period are set out on page 7. The Directors do not recommend payment of a dividend.

**PHILIPPINE GOLD LIMITED
DIRECTORS REPORT (continued)
YEAR ENDED 31 DECEMBER 2000**

Directors and their interests

None of the Directors had any beneficial interest in the share capital of the company. 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	(appointed 1 November 2000)
W P McLucas	(appointed 1 November 2000)
H H McKenzie	(appointed 1 November 2000)
P G Cordin	(resigned 1 November 2000)
G J Davies	(resigned 1 November 2000)
K P Judge	(resigned 1 November 2000)

Political and charitable donations

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

Share Capital

On 24 January 2000 and 11 February 2000, 515,132 and 4,983,902 respectively, ordinary shares of 5 pence each were issued upon conversion of US\$427,000 (£274,952) of Convertible Unsecured Loan Notes 2000. (Note 12).

On 28 July 2000 79,588,243 ordinary shares of 5 pence each were issued through a private placement as a condition of the share exchange agreement entered into with Thistle. (Note 12).

Post Balance Sheet Events

Since January 2001 the Company has continued to clear up old creditor accounts and has taken pre-feasibility studies in preparation for the development of the Mastate project.

**PHILIPPINE GOLD LIMITED
DIRECTORS REPORT (continued)
YEAR ENDED 31 DECEMBER 2000**

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.

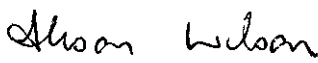
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

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

By order of the Board


**A J Wilson
Secretary**

KPMG

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

Report of the auditors to the members of Philippine Gold Limited

We have audited the financial statements on pages 7 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 auditing 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. 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 August 2001

PHILIPPINE GOLD LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR
ENDED 31 DECEMBER 2000

	Notes	2000	1999
		£	£
Operating income/(expenses)	2	<u>140,690</u>	<u>(4,207,709)</u>
Operating profit/(loss)		140,690	(4,207,709)
Interest receivable and similar income	3	11,989	1,162
Interest payable and similar charges	4	<u>(474,601)</u>	<u>(748,778)</u>
		<u>(462,612)</u>	<u>(747,616)</u>
Loss on ordinary activities before taxation	2	(321,922)	(4,955,325)
Tax on loss on ordinary activities	7	<u>(27,252)</u>	<u>-</u>
Loss for the financial year		<u>(349,174)</u>	<u>(4,955,325)</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.

The notes on pages 9 to 14 form part of these financial statements.

PHILIPPINE GOLD LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	8	6,128,232	4,660,598
Current assets			
Debtors	9	36,354	-
Cash at bank		<u>141,626</u>	<u>16,777</u>
		177,980	16,777
Creditors: Amounts falling due within one year	10	<u>(5,991,252)</u>	<u>(8,255,195)</u>
Net current liabilities		<u>(5,813,272)</u>	<u>(8,238,418)</u>
Total net assets/(liabilities)		<u>314,960</u>	<u>(3,577,820)</u>
Capital and reserves			
Called-up share capital	11	8,481,058	4,229,144
Share premium account	12	50,353,394	50,363,354
Profit and loss account	12	<u>(58,519,492)</u>	<u>(58,170,318)</u>
Equity shareholder's funds/(deficit)		<u>314,960</u>	<u>(3,577,820)</u>

The financial statements were approved by the Board of Directors on 31 August 2001, and signed on its behalf by:



Denis Acheson
 Director and Chairman

The notes on pages 9 to 14 form part of these financial statements

PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000

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 not prepared consolidated financial statements as its results and those of its subsidiary investments are consolidated within the accounts of Thistle Mining Inc., the ultimate parent company.

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.

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 with the exception of those arising on long term loans provided to subsidiaries which are taken directly to reserves.

Convertible loan notes

Convertible loan notes are shown net of unamortised issue costs. At the time of issue the costs are deferred and charged to the share premium account over the life of the notes. Interest is expensed as incurred.

PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000

2. Profit/(loss) on ordinary activities before taxation

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

	2000 £	1999 £
Auditors' remuneration:		
Audit	17,500	21,250
Other services = fees paid to the auditor and its associates	-	-
Depreciation and amounts written off fixed assets:		
Owned	752	1,808,875
Provision for doubtful receivables	-	1,048,640
Discounts received from creditors	(522,002)	-
Exchange (gains)/losses	<u>(264,781)</u>	<u>361,384</u>

3. Interest receivable and similar income

	2000 £	1999 £
Bank interest receivable	11,489	1,162
Other	<u>500</u>	<u>-</u>
	<u>11,989</u>	<u>1,162</u>

4. Interest payable and similar charges

Bank and similar interest payable	1,806	5,311
Loan note interest	<u>472,795</u>	<u>743,467</u>
	<u>474,601</u>	<u>748,778</u>

5. Staff costs

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

	2000 Number	1999 Number
Administration	<u>4</u>	<u>4</u>
Their aggregate remuneration comprised:		
	£	£
Wages and salaries	88,725	62,883
Social security costs	1,131	-
Other pension costs	<u>-</u>	<u>-</u>
	<u>89,856</u>	<u>62,883</u>

PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000

6. Directors' remuneration

	2000	1999
	£	£
Directors' emoluments	<u>88,725</u>	<u>62,883</u>

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

	2000	1999
	£	£
The tax charge comprises:		
Income tax on loan note interest	27,252	-
Corporation tax at %	<u>-</u>	<u>-</u>
	<u>27,252</u>	<u>-</u>

8. Investments

	Shares in Group Undertakings £	Loans to Group Undertakings £	Total £
Cost			
At 1 January 2000	1,345,735	49,723,580	51,069,315
Additions in year	-	1,468,386	1,468,386
Written off in year	<u>(752)</u>	<u>-</u>	<u>(752)</u>
At 31 December 2000	<u>1,344,983</u>	<u>51,191,966</u>	<u>52,536,949</u>
Provision			
At 1 January 2000	-	(46,408,717)	(46,408,717)
Provision in the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2000	<u>-</u>	<u>(46,408,717)</u>	<u>(46,408,717)</u>
Net Book Value			
At 31 December 2000	<u>1,344,983</u>	<u>4,783,249</u>	<u>6,128,232</u>
Net Book Value			
At 31 December 1999	<u>1,345,735</u>	<u>3,314,863</u>	<u>4,660,598</u>

PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000

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
Palawan Chrome Corporation	Philippines	40%	Exploration

9. Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Vat recoverable	<u>36,354</u>	<u>-</u>

10. Creditors amounts falling due within one year

	2000 £	1999 £
Trade creditors	1,592,995	2,743,192
Loan Notes repayable within 1 year:		
10% Convertible Unsecured Loan Notes 2000	-	1,181,989
Thistle Mining Inc.	<u>4,398,257</u>	<u>4,330,014</u>
	<u>5,991,252</u>	<u>8,255,195</u>

The 10% Convertible Unsecured Loan Notes 2000 were held by Millennium Partners L.P. They were assigned to Thistle Mining Inc in consideration of 2,465,293 common shares of Thistle Mining Inc. and a US\$1,000,000 8.5% convertible loan note due 31 May 2003.

PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000

11. Called-up share capital

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 2000		
84,582,881 ordinary shares of £0.05 each	4,229,144	4,177,759
(1999 – 83,555,176)		
Issued 85,038,277 during year	<u>4,251,914</u>	<u>51,385</u>
(1999 – 16,021,321)		
At 31 December 2000		
169,621,158 ordinary shares of £0.05 each	<u>8,481,058</u>	<u>4,229,144</u>
(1999 – 84,582,881)		

On 24 January 2000 and 11 February 2000, 515,132 and 4,983,902 respectively, ordinary shares of 5 pence each were issued upon conversion of US\$427,000 (£274,952) of Convertible Unsecured Loan Notes 2000.

On 28 July 2000 79,588,243 ordinary shares of 5 pence each were issued through a private placement as a condition of the share exchange agreement entered into with Thistle Mining Inc which realised net proceeds of £3,990,399.

12. Statement of movement in reserves

	Share Premium Account £	Profit and loss Account £
At 1 January 2000	50,363,354	(58,170,318)
Retained loss for year	-	(349,174)
Amortisation of cost of issuing loan notes	<u>(9,960)</u>	<u>-</u>
At 31 December 2000	<u>50,353,394</u>	<u>(58,519,492)</u>

The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years, which have been written off, is £1,203,426 (1999 - £1,203,426).

**PHILIPPINE GOLD LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

13. Guarantees and other financial commitments

a) Capital commitments

At the end of the year there were no capital commitments. (1999 – nil)

b)Contingent liabilities

At the end of the year there were no contingent liabilities. (1999 – nil)

14. 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.

15. 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.

16. 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, 65 Queen Street West, Toronto, Ontario, Canada M5H 2M5.