

PHIGOLD PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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PHIGOLD PLC

COMPANY INFORMATION

DIRECTORS	A Mullins D Thompson J R Apostol
COMPANY NUMBER	06468514
REGISTERED OFFICE	Thames House Portsmouth Road Esher Surrey KT10 9AD
AUDITORS	haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
SOLICITORS	Fladgate LLP 16 Great Queen Street London WC2B 5DG

PHIGOLD PLC

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The following pages do not form part of the statutory financial statements

PHIGOLD PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements for the year ended 31 December 2010

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 elected to prepare 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 the group and of the profit or loss of the group 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The group's principal activity is that of investing in gold mining assets in the Philippines.

BUSINESS REVIEW

The Group has made significant progress in progressing commercial operations at Barobo.

In September 2010 Phigold received its Environmental Clearance Certificate (ECC) covering the entire 449.49 hectares mining area of the Company in Barangays San Vicente, Amaga and Sudlon all located in the Municipality of Barobo, Surigao Del Sur. With the issuance of the ECC, the Company may now proceed with the project implementation after securing all the necessary permits from other pertinent Government agencies which have now been submitted to all relevant government agencies.

The mining plan was completed in 2010. In the plan two areas are prioritized initially, Pit A and Pit B, which are located at Barangays San Vicente. The initial production will come from priority pit A with total area of 6 hectares and a mineable deposit estimated at 1,342,918 metric tons of gold bearing alluvial deposit. Pit B on the other hand has a total area of 7 hectares and mineable deposit estimated at 2,552,678 metric tons. Minimum estimated ore grade is computed at 0.4 grams per ton of gold.

As part of the Company's production plan, the Company has entered into a preliminary development phase which includes the establishment of infrastructure for mining operations – this consists of the establishment of settling and sedimentation ponds, road construction, processing facility and laboratory facility setup and corresponding infrastructure as well as security fencing, water tank installation, electric power installation and other ancillary installations required for the establishment of mining operations.

PHIGOLD PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

In January 2011, the Company established a 50 tonne per hour preliminary gold production plant in preparation for full scale commercial production

As part of the Company's plan of production, the Company, as required under the MPSA, submitted Environmental Protection and Enhancement Program, Social Development and Management Program, Mine Rehabilitation and Decommissioning Plan, Feasibility Study, Geologist Report and 3-year Work Program (collectively as Programs)

These Programs have been submitted to the MGB the first quarter of 2011. Upon the success of preliminary gold production plant and the approval of the Programs by the MGB, the Company will increase production to a forecast 500 tonne per hour by 2012.

To-date the Company has substantially completed its mining site setup for the 50 tonne per hour preliminary processing facility and has produced its first gold under test conditions demonstrating the viability of the technology currently being employed.

Phigold Plc has raised additional funds of £1,264,300 of its ordinary shares through private placements during the year. The company also entered into a Bridge Loan Agreement on September 26, 2010 with Charles Street Securities Europe LLP raising £400,000, repayable in 180 days from the date of last advance.

Further funding was secured in the first quarter of 2011 through the pre placement of 3 year gold linked 8% bonds amounting to £300,600 and an equity placement of £402,311 (3,094,700 shares at £0.13 per share). Further proceeds for operations will become available from a main bond placement once 50 ounces of gold has been produced.

First gold sales from operations started in June 2011 up to the date of these financial statements 34 ounces have been sold.

RESULTS

The loss for the year, after taxation, amounted to \$1,331,268 (2009 - loss \$989,217).

DIRECTORS

The directors who served during the year were

A Mullins
D Thompson
J R Apostol

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the business are as follows

- Uncertainty of discovering a commercial viable project
- Capital costs of exploration
- The ability to raise additional capital if required
- Reliance on price of commodity
- Political and environmental regulatory changes in the country of operation

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the group's policy to agree commercial terms with its creditors prior to purchase.

PHIGOLD PLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

AUDITORS

The auditors, haysmacintyre, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006

This report was approved by the board on 12 September 2011 and signed on its behalf



A Mullins
Director

PHIGOLD PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHIGOLD PLC

We have audited the financial statements of Phigold Plc for the year ended 31 December 2010, set out on pages 6 to 21. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of directors' responsibilities, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 group's and the parent 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss 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.

EMPHASIS OF MATTER

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made within the accounting policies concerning the company's ability to continue as a going concern. The group incurred a net loss of \$1,331,268 during the year ended 31 December 2010. This along with the other matters explained within the accounting policies, indicate the existence of a material uncertainty which may cast a significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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.

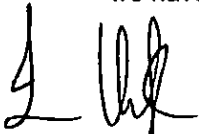
PHIGOLD PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHIGOLD PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Ian Cliffe (Senior statutory auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date *12 September 2011*

PHIGOLD PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$	2009 \$
Administrative expenses		(1,296,511)	(276,644)
OPERATING LOSS	2	(1,296,511)	(276,644)
Share of loss of an associate		(402,881)	(332,111)
Interest receivable and similar income		160,040	126,983
Interest payable and similar charges	7	(60,510)	(507,445)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,599,862)	(989,217)
Tax on loss on ordinary activities	8	268,594	-
LOSS FOR THE FINANCIAL YEAR	14	(1,331,268)	(989,217)

All amounts relate to continuing operations

The notes on pages 11 to 21 form part of these financial statements

PHIGOLD PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$	As restated 2009 \$
LOSS FOR THE FINANCIAL YEAR		<u>(1,331,268)</u>	<u>(989,217)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(1,331,268)	<u>(989,217)</u>
Prior year adjustment	15	<u>(421,469)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		<u>(1,752,737)</u>	

The notes on pages 11 to 21 form part of these financial statements

PHIGOLD PLC
REGISTERED NUMBER: 06468514

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Note	2010	2009
		\$	\$
CURRENT ASSETS			
Debtors	10	3,170,534	1,975,832
Cash at bank		4,412	637
		<u>3,174,946</u>	<u>1,976,469</u>
CREDITORS: amounts falling due within one year	11	<u>(1,484,865)</u>	<u>(259,246)</u>
NET CURRENT ASSETS		<u>1,690,081</u>	<u>1,717,223</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,690,081</u>	<u>1,717,223</u>
CREDITORS: amounts falling due after more than one year	12	<u>-</u>	<u>(2,452,695)</u>
NET ASSETS/(LIABILITIES)		<u><u>1,690,081</u></u>	<u><u>(735,472)</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	319,860	130,055
Share premium account	14	3,530,212	-
Other reserves	14	(13,268)	(13,268)
Profit and loss account	14	<u>(2,146,723)</u>	<u>(852,259)</u>
SHAREHOLDERS' FUNDS/(DEFICIT)	16	<u><u>1,690,081</u></u>	<u><u>(735,472)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2011


A Mullins
Director

The notes on pages 11 to 21 form part of these financial statements

PHIGOLD PLC
REGISTERED NUMBER: 06468514

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Note	2010 \$	2009 \$
FIXED ASSETS			
Investments	9	128,306	128,306
CURRENT ASSETS			
Debtors	10	3,592,244	2,420,763
Cash at bank		3,336	-
		<u>3,595,580</u>	<u>2,420,763</u>
CREDITORS: amounts falling due within one year	11	<u>(1,484,865)</u>	<u>(259,246)</u>
NET CURRENT ASSETS		<u>2,110,715</u>	<u>2,161,517</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,239,021</u>	<u>2,289,823</u>
CREDITORS: amounts falling due after more than one year	12	<u>-</u>	<u>(2,452,695)</u>
NET ASSETS/(LIABILITIES)		<u><u>2,239,021</u></u>	<u><u>(162,872)</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	319,860	130,055
Share premium account	14	3,530,212	-
Other reserves	14	108,623	108,623
Profit and loss account	14	<u>(1,719,674)</u>	<u>(401,550)</u>
SHAREHOLDERS' FUNDS/(DEFICIT)	16	<u><u>2,239,021</u></u>	<u><u>(162,872)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2011


A Mullins
Director

The notes on pages 11 to 21 form part of these financial statements

PHIGOLD PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$	2009 \$
Net cash flow from operating activities	17	(1,546,503)	(90,341)
Returns on investments and servicing of finance	18	(34,757)	(712,573)
Acquisitions and disposals	18	(210,466)	(73,512)
CASH OUTFLOW BEFORE FINANCING		(1,791,726)	(876,426)
Financing	18	1,776,924	645,850
DECREASE IN CASH IN THE YEAR		(14,802)	(230,576)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 \$	2009 \$
Decrease in cash in the year	(14,802)	(230,576)
Cash outflow from decrease in debt and lease financing	1,943,093	(645,435)
MOVEMENT IN NET DEBT IN THE YEAR	1,928,291	(876,011)
Net debt at 1 January 2010	(2,647,178)	(1,771,167)
NET DEBT AT 31 DECEMBER 2010	(718,887)	(2,647,178)

The notes on pages 11 to 21 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

The consolidated financial statements are presented in US Dollars (\$), being the group's transactional currency

1.2 Basis of consolidation

The financial statements consolidate the accounts of Phigold Plc and all of its subsidiary and associated undertakings

1.3 Going concern

Since the year end the group has successfully raised £300,600 8% Gold linked bonds through a private placing and £402,311 through an equity placing. The release of the funds from the bonds issue is, however, subject to the group producing and selling a minimum of 50 oz of gold

Subject to the group's ability to achieve a minimum production and sale of gold and release of funds, the directors consider that it is appropriate to prepare the financial statements on the going concern basis. If additional financing by whatever means is not secured in the next twelve months, then it is unlikely that the company will be able to continue in its present form

The financial statements do not include any adjustments that would be necessary should this basis not be appropriate

1.4 Investments

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment
- (ii) **Associated undertakings**
Investments in associates are stated at the amount of the company's share of net assets. The Profit and loss Account includes the company's share of the associated companies' profits after taxation using the equity accounting basis

The financial statements of the associate are prepared for the same reporting period as the group. Where necessary, adjustments are made to bring the accounting policies in line with those of the group

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss Account

PHIGOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.6 Share - based payment transactions

The group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant.

The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

The directors have used the Black Scholes model to estimate the value of the options granted.

2 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2010 \$	2009 \$
Difference on foreign exchange	(62,426)	23,115

3 AUDITORS' REMUNERATION

	2010 \$	2009 \$
Fees payable to the company's auditor for the audit of the company's annual accounts	22,475	9,677
Fees payable to the company's auditor and its associates in respect of		
Services relating to corporate finance transactions	89,240	-
All other services	19,350	-

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010 \$	2009 \$
Wages and salaries	226,351	50,138
Social security costs	-	640
	226,351	50,778

The average monthly number of employees, including the directors, during the year was as follows

	2010 No	2009 No
Management	3	3

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
5. DIRECTORS' REMUNERATION

	2010 \$	2009 \$
Emoluments	226,351	50,138
Amounts receivable under long-term incentive schemes	12,323	28,556

The highest paid director received remuneration of \$120,997 (2009 - \$NIL)

The following directors have been granted share options over the parent company

Name	Date of award	Exercise date	Option lapse date	Number of options	Option price £
J R Apostol	27/05/2008	27/05/2009	27/05/2014	33,334	0 50
		27/05/2010	27/05/2014	33,333	0 50
		27/05/2011	27/05/2014	33,333	0 50
				<u>100,000</u>	
D Thompson	27/05/2008	27/05/2009	27/05/2014	33,334	0 50
		27/05/2010	27/05/2014	33,333	0 50
		27/05/2011	27/05/2014	33,333	0 50
				<u>100,000</u>	

6. SHARE BASED PAYMENTS

During the year \$36,804 has been charged in respect of the share based payments

The fair value of options and deferred shares has been calculated using the Black Scholes pricing model. The inputs into the model were as follows

Grant date	7 February 2008	27 May 2008	21 November 2008
Share price at date of grant	£0 50	£0 50	£0 75
Exercise price	£0 50	£0 50	£0 75
Volatility	50%	50%	50%
Option life	5 years	5 years	5 years
Dividend yield	0%	0%	0%
Risk free investment	4%	4%	4%

Based on the above assumptions, the fair value of the options granted are estimated to be

7 February 2008	27 May 2008	21 November 2008
£0 241 (\$0 348)	£0 241 (\$0 348)	£0 361 (\$0 521)

PHIGOLD PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

7. INTEREST PAYABLE

	2010 \$	2009 \$
On bank loans and overdrafts	1,159	81
Interest charged on 8% convertible redeemable preference shares	-	493,048
Other interest payable	59,351	14,316
	<u>60,510</u>	<u>507,445</u>

8. TAXATION

	2010 \$	2009 \$
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	-
Deferred tax		
Share of associates' deferred tax	(268,594)	-
Tax on loss on ordinary activities	<u>(268,594)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 21%) The differences are explained below

	2010 \$	2009 \$
Loss on ordinary activities before tax	<u>(1,599,862)</u>	<u>(989,217)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 21%)	(447,961)	(207,736)
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,728	92,624
Utilisation of tax losses	(51,681)	(6,312)
Unrelieved tax losses carried forward	333,967	51,681
Other differences leading to an increase (decrease) in the tax charge	157,947	69,743
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
9. FIXED ASSET INVESTMENTS

Group	Investments in associates
Cost or valuation	\$
Additions	210,466
Provision against losses to date	(76,179)
Share of profit/(loss)	(134,287)
At 31 December 2010	-
Net book value	
At 31 December 2010	-
At 31 December 2009	-

Participating interests

600,000 common shares of Php 5.00 each (Philippine Peso) are owned in PhiGold Metallic Ore Inc for Php 3,000,000 (US\$71,496) which represented 100% of the common shares in issue and 40% of the total voting rights of the company by Phigold Mining Limited, a wholly owned subsidiary of Phigold Plc

The issued share capital of PhiGold Metallic Ore Inc also consists of 900,000 preferred shares of Php 0.10 each owned by non-connected shareholders and this class of share controls 60% of the total voting rights of the company

The following associate accounted for in excess of 25% of the group's gross assets, gross liabilities, turnover or (on a three year average) operating results

Phigold Metallic Ore. Inc

	\$	\$
Share of profit before tax		(402,881)
Share of taxation		268,594
Share of profit after tax		(134,287)
Share of assets		
Fixed assets	2,624,833	
Current assets	244,415	
		2,869,248
Share of liabilities		
Due within one year or less	(3,576,971)	
Due after more than one year	(51,985)	
		(3,628,956)
Share of net assets		(759,708)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9. FIXED ASSET INVESTMENTS (continued)

Company	Investments in subsidiary companies \$
Cost or valuation	
At 1 January 2010 and 31 December 2010	128,306
Net book value	
At 31 December 2010	128,306
At 31 December 2009	128,306

The company has an investment in the following subsidiary company

	Principal activity	Country of incorporation	Holdings	%
Phigold Mining Limited	Investment holding company	England and Wales	Ordinary shares	100

10. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts owed by group undertakings	-	-	3,590,628	2,418,258
Amounts owed by undertakings in which the company has a participating interest	3,163,902	1,964,039	-	-
Other debtors	6,632	11,793	1,616	2,505
	3,170,534	1,975,832	3,592,244	2,420,763

The advances are interest bearing at a rate of 6% per annum and are repayable on demand

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
**11 CREDITORS:
Amounts falling due within one year**

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Bank loans and overdrafts	64,494	45,917	64,494	45,917
Other loans	658,805	149,203	658,805	149,203
Other creditors	185,760	-	185,760	-
Accruals and deferred income	575,806	64,126	575,806	64,126
	<u>1,484,865</u>	<u>259,246</u>	<u>1,484,865</u>	<u>259,246</u>

Other loans are secured by a first legal charge over all assets of Phigold Metallic Ore Inc and is due for repayment on 24 June 2011

**12 CREDITORS:
Amounts falling due after more than one year**

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Share capital treated as debt (Note 13)	-	2,452,695	-	2,452,695

Disclosure of the terms and conditions attached to the non-equity shares is made in note 13

13 SHARE CAPITAL

	2010	2009
	\$	\$
Shares classified as capital		
Allotted, called up and fully paid		
9,485,939 Ordinary shares of £0.02 each	318,526	128,721
680,000 Deferred ordinary shares of £0.001 each	1,334	1,334
	<u>319,860</u>	<u>130,055</u>
Shares classified as debt		
Allotted, called up and fully paid		
3,904,455 8% convertible redeemable preference (net of costs) shares of £0.01 each	-	2,452,695

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
13. SHARE CAPITAL (continued)

The following ordinary shares were issued during 2010

19/04/2010 – 4,939,136 for conversion of 3,904,455 convertible preference shares
 19/04/2010 – 697,800 under offer for subscription at £1.00 each
 21/05/2010 – 274,000 under offer for subscription at £1.00 each
 01/07/2010 – 241,000 under offer for subscription at £1.00 each
 13/07/2010 – 51,500 under offer for subscription at £1.00 each

Deferred shares

Until conversion, the deferred shares have no rights attached to them. At any date falling five years from the date of issue, all the options of the holders of the deferred shares may be converted into ordinary shares. The conversion price payable is the difference between the par value and £0.50.

14. RESERVES

Group	Share premium account \$	Other reserves \$	Profit and loss account \$
At 1 January 2010 (as previously stated)		(13,268)	(430,790)
Prior year adjustment (note 15)			(421,469)
			<u>(852,259)</u>
At 1 January 2010 (as restated)			(1,331,268)
Loss for the year			
Premium on shares issued during the year	3,530,212		36,804
Other movements			
	<u>3,530,212</u>	<u>(13,268)</u>	<u>(2,146,723)</u>
At 31 December 2010			
Company	Share premium account \$	Other reserves \$	Profit and loss account \$
At 1 January 2010		108,623	(401,550)
Loss for the year			(1,354,928)
Premium on shares issued during the year	3,530,212		36,804
Other movements			
	<u>3,530,212</u>	<u>108,623</u>	<u>(1,719,674)</u>
At 31 December 2010			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
15 PRIOR YEAR ADJUSTMENT

The group's share of associate's loss and the cost of its investment in that associate had been incorrectly included in the consolidated financial statements for the years ended 31 December 2008 and 2009. The prior year adjustment has been included in this year's consolidated financial statements to correct the error as follows

	\$
Understatement of group's share of associate's loss 2008	(222,202)
Understatement of group's share of associate's loss 2009	(199,267)
Total	<u>(421,469)</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 \$	2009 \$
Group		
Opening shareholders' (deficit)/funds	(314,003)	145,553
Prior year adjustments (note 15)	<u>(421,469)</u>	
Opening shareholders' (deficit)/funds (as restated)	(735,472)	
Loss for the year	(1,331,268)	(989,217)
Shares issued during the year	189,805	415
Share premium on shares issued (net of expenses)	3,530,212	-
Other movements in profit and loss reserve	<u>36,804</u>	<u>107,777</u>
Closing shareholders' funds/(deficit)	<u>1,690,081</u>	<u>(735,472)</u>
Company		
Opening shareholders' (deficit)/funds	(162,872)	512,646
Loss for the year	(1,354,928)	(783,710)
Shares issued during the year	189,805	415
Share premium on shares issued (net of expenses)	3,530,212	-
Other movements in profit and loss reserve	<u>36,804</u>	<u>107,777</u>
Closing shareholders' funds/(deficit)	<u>2,239,021</u>	<u>(162,872)</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss Account

The loss for the year dealt with in the accounts of the company was \$1,354,928 (2009 - \$783,710)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 \$	2009 \$
Operating loss	(1,296,511)	(276,644)
Share based payments	36,804	83,258
Decrease in debtors	5,161	52,027
(Increase)/decrease in amounts owed by associates	(989,397)	8,794
Increase in creditors	697,440	42,224
Net cash outflow from operating activities	(1,546,503)	(90,341)

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 \$	2009 \$
Returns on investments and servicing of finance		
Interest received	160,040	126,983
Interest paid	(60,510)	(507,445)
Income from investments in related companies	(134,287)	(332,111)
Net cash outflow from returns on investments and servicing of finance	(34,757)	(712,573)
	2010 \$	2009 \$
Acquisitions and disposals		
Capital expenditure on behalf of the associate	(210,466)	(73,512)
	2010 \$	2009 \$
Financing		
Issue of ordinary shares	3,720,017	415
Other new loans	509,602	149,203
Shares treated as debt - Issued	-	496,232
Shares treated as debt - Redeemed	(2,452,695)	-
Net cash inflow from financing	1,776,924	645,850

PHIGOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

19 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 \$	Cash flow \$	Other non-cash changes \$	31 December 2010 \$
Cash at bank and in hand	637	3,775	-	4,412
Bank overdraft	(45,917)	(18,577)	-	(64,494)
	<u>(45,280)</u>	<u>(14,802)</u>	<u>-</u>	<u>(60,082)</u>
Debt:				
Debts due within one year	(149,203)	1,943,093	(2,452,695)	(658,805)
Debts falling due after more than one year	(2,452,695)	-	2,452,695	-
	<u>(2,647,178)</u>	<u>1,928,291</u>	<u>-</u>	<u>(718,887)</u>
Net debt	<u>(2,647,178)</u>	<u>1,928,291</u>	<u>-</u>	<u>(718,887)</u>

20 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with its 100% owned subsidiary undertaking

Included in creditors is a short term bridging loan of \$nil (2009 \$27,625) from A Mullins, a director of the company

21 POST BALANCE SHEET EVENTS

Other loans included within other creditors due within one year have been transferred to Phigold Limited since the year end at their book value

22 CONTROLLING PARTY

Phigold Limited, a company incorporated under Cayman Company Law, became the ultimate holding company of the group on 23 December 2010 following a transaction involving a share swap for shareholders of Phigold Plc