

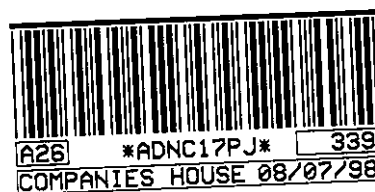


**DRAGON EQUITIES LIMITED**

**Report and Financial Statements**

**31 March 1997**

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR



**REPORT AND FINANCIAL STATEMENTS 1997**

<b>CONTENTS</b>	<b>Page</b>
Officers and professional advisers	1
Director's report	2
Statement of director's responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7
Additional information	11

**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTOR**

Anthony J Williams

**SECRETARY**

J M Roberts ACA

**REGISTERED OFFICE**

22 Grosvenor Square  
London  
W1X 9LF

**BANKERS**

National Westminster Bank plc

**SOLICITORS**

Thompson Smith & Puxon

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

## DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the year ended 31 March 1997.

### ACTIVITIES

The principal activities of the company in the year were that of investing in mining companies.

No significant change in the nature of the activities is anticipated in the future.

### REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £532,366 (4 October 1995 to 31 March 1996 : £53,584). The future prospects of the company depend on the prospects of the Dragon Group as a whole. There is no reason why the group should not continue to prosper.

### DIVIDENDS

No dividends were paid during the year and the director does not recommend the payment of a final dividend.

The retained loss for the year of £585,950 (4 October 1995 to 31 March 1996 : £53,584) has been charged to reserves.

### POST-BALANCE SHEET EVENTS

Subsequent to the year end the Company has received a loan of C\$420,000 from its 100% subsidiary Ontario 1134140.

### DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the share capital of the ultimate parent undertaking at the balance sheet dates were as follows:

		<b>Dragon Capital Holdings Limited</b>	
		<b>Ordinary shares of £1 each</b>	
		<b>1997</b>	<b>1996</b>
Anthony J Williams		2	2
Rodger C Young	(resigned 21 February 1997)	-	-

### AUDITORS

Deloitte & Touche have expressed their intention to resign. It is our intention to appoint Fisher, Sassoon & Marks as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved and signed by the sole director

  
 Anthony J Williams

Chairman

30/6

1998



## **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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' REPORT TO THE MEMBERS OF

### DRAGON EQUITIES LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of the director and auditors

As described on page 3, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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 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 March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

2 July 1998


**PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 March 1997**

	Note	Year ended 31 March 1997 £	Period from 4 October 1995 to 31 March 1996 £
<b>TURNOVER</b>			
Administrative expenses		(582,706)	(56,509)
Other operating income		25,000	-
<b>OPERATING LOSS</b>	2	(557,706)	(56,509)
Interest receivable	4	25,364	2,925
Interest payable and similar charges		(24)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(532,366)	(53,584)
Tax on loss on ordinary activities	5	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(532,366)	(53,584)
Retained loss brought forward		(53,584)	-
<b>Retained loss carried forward</b>		<u>(585,950)</u>	<u>(53,584)</u>

All activities relate to continuing operations.

The company has no recognised gains or losses other than the loss for the above financial year and the previous financial period.


**BALANCE SHEET**
**31 March 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Investments	7	<u>203,029</u>	<u>524,358</u>
<b>CURRENT ASSETS</b>			
Debtors	6	1,073,180	112,062
Cash at bank and in hand		<u>13,424</u>	<u>1,335,290</u>
		1,086,604	1,447,352
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(232,592)</u>	<u>(57,913)</u>
<b>NET CURRENT ASSETS</b>		<u>854,012</u>	<u>1,389,439</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,057,041</u>	<u>1,913,797</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	<u>(1,642,989)</u>	<u>(1,967,379)</u>
<b>NET LIABILITIES</b>		<u>(585,948)</u>	<u>(53,582)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	2	2
Profit and loss account		<u>(585,950)</u>	<u>(53,584)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	11	<u>(585,948)</u>	<u>(53,582)</u>

These financial statements were approved and signed by the sole director on 30/6 1998.

Anthony J Williams

Chairman




**NOTES TO THE ACCOUNTS**
**Year Ended 31 March 1997**
**1. STATEMENT OF ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the year.

**Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

**Related Party Transaction**

Transactions with entities that are subsidiaries of Dragon Capital Holdings Limited are exempt from disclosure under Financial Reporting Statement No.8 Related Party Disclosure, as this information is included in the consolidated accounts of Dragon Capital Holdings Limited, the ultimate parent company.

**2. OPERATING LOSS**

Operating loss is stated after charging:

	Year ended 31 March 1997 £	Period from 4 October 1995 to 31 March 1996 £
Loss on foreign currencies	23,989	-
Auditors' remuneration - audit fees	3,000	3,000
	<u>          </u>	<u>          </u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 31 March 1997 £	Period from 4 October 1995 to 31 March 1996 £
Directors' emoluments	175,000	50,000
	<u>          </u>	<u>          </u>

The company has no employees (1996:nil)


**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 1997**
**4. INTEREST RECEIVABLE**

	Year ended 31 March 1997 £	Period from 4 October 1995 to 31 March 1996 £
Bank interest	25,364	2,925

**5. TAX ON LOSS ON ORDINARY ACTIVITIES**

	Year ended 31 March 1997 £	Period from 4 October 1995 to 31 March 1996 £
Total tax charge for period	-	-

**6. DEBTORS**

	1997 £	1996 £
Amounts owed by group undertakings	1,069,417	111,651
Other debtors	3,763	411
	<u>1,073,180</u>	<u>112,062</u>

**7. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiary undertak- ings £	Other Invest- ments £	Total £
<b>Cost</b>			
At 31 March 1996	1,000	523,358	524,358
Additions	-	56,398	56,398
Provision against carrying value	-	(377,727)	(377,727)
At 31 March 1997	<u>1,000</u>	<u>202,029</u>	<u>203,029</u>

A provision has been made against the carrying value of two of the company's investments to reflect their estimated current value.


**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 1997**
**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997	1996
	£	£
Trade creditors	40,000	-
Other creditors	-	1
Amounts owed to group undertakings	189,092	54,412
Directors current accounts	500	500
Accruals and deferred income	3,000	3,000
	<u>232,592</u>	<u>57,913</u>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997	1996
	£	£
Loan from director	<u>1,642,989</u>	<u>1,967,379</u>

The above loan is interest free and repayable wholly after five years.

**10. SHARE CAPITAL**

	1997	1996
	£	£
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

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

	1997	1996
	£	£
Loss for the financial year / period	(532,366)	(53,584)
Issue of shares	-	2
<b>Net reduction in shareholders' funds</b>	<u>(532,366)</u>	<u>(53,582)</u>
Opening shareholders' funds	(53,582)	-
<b>Closing shareholders' funds</b>	<u>(585,948)</u>	<u>(53,582)</u>


**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 1997**
**12. ULTIMATE PARENT COMPANY**

The ultimate and immediate parent company is Dragon Capital Holdings Limited, a company incorporated in England and Wales on 16 October 1995.

The group financial statements of this company may be obtained from:

The Company Secretary  
 Dragon Capital Holdings Limited  
 22 Grosvenor Square  
 London  
 W1X 9LF

The Company has taken advantage of the exemption from reporting related party transactions under paragraph 3(c) of the Financial Reporting Standard No.8.

**13. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND OTHER INVESTMENTS**
**Shares in subsidiary undertakings**

The company is the registered holder of 1,000 common shares of Can \$1 each in its wholly owned subsidiary, 1134130 Ontario Limited, a company incorporated under the laws of the province of Ontario, Canada.

Under Section 228 of the Companies Act 1985, group accounts are not required as the company is a subsidiary of Dragon Capital Holdings Limited which prepares consolidated financial statements. Consequently these financial statements present information about the individual company only and not about the its group.

**Other investments**

The company also held options to purchase shares in the following companies which were exercisable at the period end and continue to be so up to the expiry dates show below:

Company	Country of incorporation	Number of ordinary shares	Cost £	Exercise price	Expiry Date	Nature of business
Chivor Emerald Corporation Limited	British Virgin Islands	500,000	-	US\$0.80	1 December 2000	Emerald mining
Khazakhstan Minerals Corporation	Canada	1,000,000	1	US\$1.00	26 December 2000	Mining
Arian Resources Corporation	Canada	1,000,000	1	US\$1.00	8 December 2000	Mining