

Ciboney Group Limited 2004

Auditors' Report

To the Members of
CIBONEY GROUP LIMITED

Auditors' Report

We have audited the financial statements of Ciboney Group Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group") as of and for the year ended May 31, 2004, set out on pages 2 to 20, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements have been prepared on the basis that contemplates continuation of the company and the group as going concerns. However, (1) as more fully explained in note 1(b) (ii), the resort complex, which is substantially the group's only material operating asset, was disposed of effective as of January 1, 2004; and (2) as more fully explained in note 2, at the balance sheet date, the company and the group have net current liabilities and stockholders' net deficit. Accordingly, the continuation of the company and the group as going concerns is uncertain and

depends on their ability to obtain continued financing and to identify and successfully pursue profitable undertakings. No adjustments have been made in the financial statements for any effects the resolution of this uncertainty might have on the carrying values of the company's and group's assets and liabilities as at the balance sheet date.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give, except for the effects, if any, of the resolution of the uncertainties referred to in the immediately preceding paragraph, a true and fair view of the state of affairs of the company and the group as at May 31, 2004 and of the results of operations and cash flows of the group for the year then ended, and comply with the provisions of the Companies Act.

KPMG Peat Marwick
November 3, 2004
