

# GOLDEN PROSPECT PRECIOUS METALS LIMITED



Annual Report and Audited Financial Statements  
for the year ended 31 December 2010





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## Chairman's Statement

### Introduction

The global economy continued to improve gradually in 2010. This recovery was led by the emerging economies like China and Brazil but has moved slowly to more established economies like Germany and the United States of America. This environment has been supportive for gold and other precious metals.

### Investment performance

Over the year, the performance of gold has been in line with our expectations. It started the year at \$1,096.95 per oz and hit an intra-day high on 7 December at \$1,431.25 per oz. It subsequently closed at \$1,420.78 per oz at the end of the year. This represents an increase of 29.5% for the year.

The company's performance over the year has been encouraging. Its share price has appreciated by 90.2%, to 117p. In terms of the NAV, the fund has appreciated by 111.43%.

We are very pleased with New City Investment Managers as they have outperformed both the Philadelphia Gold and Silver Index which returned 39.5% in sterling terms and gold bullion which appreciated by 34.2% in sterling terms. The emphasis on selected silver stocks was beneficial and continues to provide rewards. In addition, the types of investments held in the portfolio are such that it is incredibly scalable and would allow the company to manage much larger pools of capital.

We are also pleased to report that the company was successful in raising £2.456m over the year and we would like to welcome the new shareholders to the company.

### Outlook

We continue to have a positive outlook for gold and gold shares for 2011. The macro factors that we highlighted previously such as high government debt levels, slow economic recovery, and inflation expectations continue to be factors supportive of the sector. In addition, we are seeing more geo-political issues this year in Africa and the Middle East. All of these issues are bullish for gold. New industrial uses for silver coupled with a recovery in demand from depressed levels are positive for the silver market.

Like many asset classes, gold and silver are subject to short term market fluctuations and if we do see any major corrections in the global markets, gold and silver might sell off in tandem.

Over the year, we believe that the positives far out weigh the negatives and hence continue to remain optimistic in our outlook.

**Malcolm Burne**  
Chairman

14 April 2011

## Board Members

### Directors of the Company

The Directors have overall responsibility for the Company's activities including the review of its activities and performance.

The three Directors of the Company, all of whom are non-executive are listed below:

#### Malcolm Burne

Malcolm Burne, is a former stockbroker and financial journalist with The Financial Times. He has controlled and managed fund management, venture capital and investment banking companies in London, Australia, Hong Kong and North America. He has been a director of over 20 companies, many of which have been in the mineral resource and gold exploration fields. In 1997, he founded Golden Prospect plc and was executive chairman until 2007 when the company changed its name to Ambrian Capital plc. In addition, he was executive chairman of the Australian Bullion Company (Pty) Limited, which at the time was Australia's leading gold dealer and member of the Sydney Futures Exchange. He is currently a director of several other resources companies in Australia, the UK and Canada.

#### Kaare Foy

Kaare Foy, has been a director of Great Panther Silver Limited (formerly Great Panther Resources Limited), a silver exploration and mining company based in Vancouver, since 1994. He is currently executive chairman of Great Panther and has been heavily involved with its silver and gold projects in North America. He also serves as executive chairman for Canadian exploration company Cangold Limited. Kaare has been a director of several other resource exploration and mining companies over the past eight years and worked with Malcolm Burne at the Australian Bullion Company (Pty) Ltd during the 1980s.

#### Robert King

Robert King, Robert King is an independent non-executive director and holds a number of board appointments in other investment companies. Until February 2011 he was a director of Cannon Asset Management Limited and from 1990 to 2007 he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited, specialising in offshore open and closed ended investment funds. He has been in the offshore finance industry since 1986.

## Directors' Report

The Directors present their Report and the Audited Financial Statements of Golden Prospect Precious Metals Limited (the "Company") for the year ended 31 December 2010.

### The Company

The Company was registered in Guernsey on 16 October 2006 and is a limited liability closed-ended investment company. The Company's shares and warrants were admitted to the Alternative Investment Market of the London Stock Exchange on 28 November 2006. On 5 June 2009, a special resolution was passed authorising the cancellation of the admission to trading on AIM. On 16 June 2009, the Company was simultaneously admitted to trading on the International Bulletin Board of the London Stock Exchange (ITBB) and cancelled from trading on AIM. Effective 21 September 2009, the shares trade on the London Stock Exchange Electronic Trading Service SETS QX rather than the International Bulletin Board of the London Stock Exchange. The Company's ordinary shares and warrants were admitted to the Official List of the Channel Islands Stock Exchange on 24 June 2008.

### Investment policy

The Company's investment objective is to generate above average returns for Shareholders primarily through the capital appreciation of its investments. The Directors believe that such returns can be obtained by investing in a selective portfolio of securities and other instruments in the precious metals, diamond and uranium sectors.

### Shareholder information

The Company announces its net asset value on a weekly basis.

### Results and dividends

The Company's performance during the year is discussed in the Investment Manager's Report on page 7. The results for the year are set out in the Income Statement on page 10. The Directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: £nil).

### Directors' responsibilities

The Directors are required by the Companies (Guernsey) Law, 2008 to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

## Directors' Report (Continued)

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

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 (Guernsey) Law, 2008. The Directors 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.

So far as the Directors are aware, there is no relevant audit information of which the company's auditor is unaware, having taken all the steps the directors ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Directors

The Directors of the Company who served during the year are set out on page 3.

### Directors' interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 31 December 2010:

	Ordinary Shares
Robert King	20,000
Malcolm Burne	363,000
Kaare Foy	20,000

All Directors received remuneration for their services of £12,000 per annum; with effect from 1 January 2011 this has been increased to £16,000 per annum to reflect the workload involved. None of the Directors have a contract of service with the Company.

## Directors' Report (Continued)

### Corporate governance

As an investment company, most of the Company's day to day responsibilities are delegated to third parties and all of the Directors are non-executive. As a Guernsey incorporated Company, the Company is not required to comply with the Code of Best Practice published by the UK Committee of Corporate Governance (the "Combined Code"). The Directors have however taken the action that they consider appropriate to ensure that the appropriate level of corporate governance, for an investment company incorporated in Guernsey whose securities are listed on the Channel Islands Stock Exchange, is attained and maintained.

The Directors of the Board will take appropriate measures to ensure that the Company complies, as appropriate given the Company's size and nature of business, with aspects of the Combined Code. For the purposes of assessing compliance with the Combined Code, the Board considers all of the Directors as independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

### Board responsibilities

The Board of Directors is responsible for the corporate governance of the Company. The Board will ensure that the organisation's operations are conducted reasonably and within the framework of any applicable laws, regulations, rules, guidelines and codes as well as established policies and procedures. The Directors will regularly assess and document whether its approach to corporate governance achieves its objectives and, consequently, whether the Board itself is fulfilling its own responsibilities. The Board will review the effectiveness of its overall approach to governance and make changes where that effectiveness needs to be enhanced.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Investment Manager and the Secretary. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company. The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Board considers that because of the small size of the Company and the close knit nature of the Board, it would not be appropriate to appoint any Board Committees to perform specific duties.

### Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

### Relations with shareholders

The Investment Manager will maintain regular dialogue with any institutional shareholders, the feedback from which is reported to the Board. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

### Investment Manager

The Investment Manager is entitled to an investment management fee and a performance fee as detailed in note 5.

### Auditors

The Auditors, BDO Limited, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 14 April 2011 and signed on behalf of the Board on 14 April 2011 by:

Robert King

Kaare Foy

## Investment Manager's Report

2010 has been another successful year for the company. Over the year, we have increased the Balance Sheet NAV of the fund by 111.43%, which compares to a rise of 39.5% (as measured in Sterling) in the Philadelphia Gold & Silver Index and a 34.2% increase in gold price (as measured in Sterling).

Our stock picking has been a major factor in our success. Our strategy of positioning the portfolio into gold producers with improving fundamentals such as increasing production, reducing costs and increasing reserves continued to help us achieve our results. Some of our earlier stage exploration plays also came in with new discoveries which enabled your investments to be aggressively re-rated.

Our deliberate heavy weighting in silver producers continued to reward as silver outperformed gold during the year. We balance our silver portfolio with high quality reliable companies such as Silver Wheaton but also with smaller silver names which are likely to emerge as new producers, such as Minco Silver.

All of the above was also aided by a much more buoyant market, driven by low interest rates. The global economy continued to recover as we predicted and Central Banks have started to tighten monetary conditions, particularly in countries like China, India, Brazil and Australia, where there is a risk of their economies over heating. These conditions, whilst not necessarily the strongest for gold, are constructive and hence provide some tail wind for the fund.

Looking ahead, as global economies continue to recover and grow, we expect to see the demand and supply of commodities in general remain tight and there is an increasing likelihood of inflation creeping into the system. There are even some economists who are expecting inflation to accelerate later in the year. Whilst these conditions will result in emerging economies tightening their monetary policy, the recovery in most developed economies will remain fragile and hence we do not see much tightening of monetary conditions there. With that backdrop, we might also see more political unrest in poorer countries as inflation starts to bite into their standard of living, leading to political unrest.

These factors will shape 2011 and we believe that precious metals will continue to play a crucial role in protecting investors, particularly against high inflation and hence 2011 should prove to be a positive year for the sector. Regardless, we, your investment managers will continue to pick the best companies for your fund, hoping to give you a healthy return on your investment.

John Wong  
New City Investment Managers

## Independent Auditors' Report to the Members of Golden Prospect Precious Metals

We have audited the Financial Statements of Golden Prospect Precious Metals Limited for the year ended 31 December 2010 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes as set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

This report is made solely to the Company's Members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 Directors' Responsibilities Statement within the Directors' Report, 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit includes 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 are adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## Independent Auditors' Report to the Members of Golden Prospect Precious Metals (Continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

BDO Limited  
CHARTERED ACCOUNTANTS  
Place Du Pre  
Rue Du Pre  
St Peter Port  
Guernsey

14 April 2011

## Income Statement

### for the year ended 31st December 2010

	Notes	Revenue £	Capital £	01.01.10 to 31.12.10 Total £	01.01.09 to 31.12.09 Total £
<b>Income</b>					
Dividend income from equity securities designated at fair value through profit or loss		89,220	-	89,220	37,445
Interest income for financial assets that are not at fair value through profit or loss: on cash and cash equivalents	2	(2,189)	-	(2,189)	7,474
		87,031	-	87,031	44,919
Net gains on financial assets at fair value through profit or loss	2,7	-	25,885,444	25,885,444	8,370,851
Net gains/(losses) on foreign currency	2	1,167,002	-	1,167,002	(250,365)
Other income		4,026	-	4,026	-
<b>Total income</b>		<b>1,258,059</b>	<b>25,885,444</b>	<b>27,143,503</b>	<b>8,165,405</b>
<b>Expenses</b>					
Investment management fees	5	(470,835)	-	(470,835)	(199,982)
Administration fees	5	(55,000)	-	(55,000)	(71,139)
Custodian fees	5	123	-	123	(34,498)
Directors' fees	5	(36,000)	-	(36,000)	(36,048)
Audit fees		(12,001)	-	(12,001)	(12,375)
Transaction costs		-	-	-	(41,061)
Brokerage fees		(45,950)	-	(45,950)	(22,500)
Directors' insurance costs		(11,470)	-	(11,470)	(4,816)
Registrar's fees		(14,289)	-	(14,289)	(10,578)
Sponsor fees		(15,488)	-	(15,488)	(5,733)
Legal fees		(17,820)	-	(17,820)	(33,130)
Printing		(13,436)	-	(13,436)	(20,372)
Other expenses		(27,129)	-	(27,129)	(83,389)
<b>Total operating expenses</b>		<b>(719,295)</b>	<b>-</b>	<b>(719,295)</b>	<b>(575,621)</b>
<b>Operating profit before finance costs and tax</b>		<b>538,764</b>	<b>25,885,444</b>	<b>26,424,208</b>	<b>7,589,784</b>
<b>Finance costs</b>					
Interest expense for financial liabilities that are not at fair value through profit or loss: on loans payable		-	-	-	(36,261)
<b>Profit for the year</b>		<b>538,764</b>	<b>25,885,444</b>	<b>26,424,208</b>	<b>7,553,523</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>£538,764</b>	<b>£25,885,444</b>	<b>£26,424,208</b>	<b>£7,553,523</b>
Basic earnings per Ordinary Share (pence)	6	1.41p	67.69p	69.10p	27.88p
Diluted earnings per Ordinary Share (pence)	6			69.10p	27.88p

The 'Total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary 'Revenue' and 'Capital' columns are both prepared for information purposes only. All the items in the above statement derive from continuing operations.

The notes on pages 14 to 29 form part of these Financial Statements.

## Statement of Changes in Equity

### for the year ended 31st December 2010

	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total Equity £
Balance as at 1 January 2010		37,950	-	(4,667,335)	6,340,689	(2,020,314)	23,391,862	23,082,852
Total comprehensive income for the year	12	-	-	2,835,310	23,050,134	538,764	-	26,424,208
Issue of ordinary shares	11	2,420	2,453,880	-	-	-	-	2,456,300
Issue costs relating to the issue of ordinary shares		-	(49,672)	-	-	-	-	(49,672)
Transfer to Distributable Reserve		-	(2,404,208)	-	-	-	2,404,208	-
Balance as at 31 December 2010		£40,370	£-	(£1,832,025)	£29,390,823	(£1,481,550)	£25,796,070	£51,913,688
	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total Equity £
Balance as at 1 January 2009		12,927	-	(4,495,101)	(2,202,396)	(1,202,986)	12,422,955	4,535,399
Total comprehensive (loss)/income for the year	12	-	-	(172,234)	8,543,085	(817,328)	-	7,553,523
Issue of ordinary shares	11	25,023	11,204,095	-	-	-	-	11,229,118
Issue costs relating to the issue of ordinary shares		-	(235,188)	-	-	-	-	(235,188)
Transfer to Distributable Reserve		-	(10,968,907)	-	-	-	10,968,907	-
Balance as at 31 December 2009		£37,950	£-	(£4,667,335)	£6,340,689	(£2,020,314)	£23,391,862	£23,082,852

The notes on pages 14 to 29 form part of these Financial Statements.

## Balance Sheet

as at 31st December 2010

	Notes	31.12.10 £	31.12.09 £
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	2,7	52,422,683	25,920,893
Cash and cash equivalents	2,8	842,235	2,277,217
Receivables	9	26,778	29,635
<b>Total Assets</b>		<b>53,291,696</b>	<b>28,227,745</b>
<b>Current Liabilities</b>			
Payables and accruals	10	(106,051)	(99,375)
Bank overdraft	8	(1,271,957)	(5,045,518)
<b>Total Liabilities</b>		<b>(1,378,008)</b>	<b>(5,144,893)</b>
<b>Total Assets less Current Liabilities</b>		<b>£51,913,688</b>	<b>£23,082,852</b>
<b>Equity</b>			
Ordinary share capital	11	40,370	37,950
Revenue reserve	12	(1,481,550)	(2,020,314)
Distributable reserve	12	25,796,070	23,391,862
Other reserves	12	27,558,798	1,673,354
<b>Total Equity</b>		<b>£51,913,688</b>	<b>£23,082,852</b>
<b>Number of Ordinary Shares in issue</b>	11	<b>40,370,000</b>	<b>37,950,000</b>
<b>Net Asset Value per Ordinary Share (pence)</b>		<b>128.59p</b>	<b>60.82 p</b>

The Audited Financial Statements on pages 10 to 29 were approved by the Board of Directors and authorised for issue on 14 April 2011 and signed on 14 April 2011 on its behalf by:

Robert King

Kaare Foy

The notes on pages 14 to 29 form part of these Financial Statements.

## Cash Flow Statement

### for the year ended 31st December 2010

	Notes	01.01.2010 to 31.12.2010 £	01.01.2009 to 31.12.2009 £
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		26,424,208	7,553,523
Adjustment for:			
Gains on financial assets at fair value through profit or loss		(25,885,444)	(8,370,851)
<b>Operating cash flows before movements in working capital</b>		<b>538,764</b>	<b>(817,328)</b>
Decrease/(increase) in receivables	9	12,883	(19,160)
Increase in payable and accruals	10	18,694	22,862
Purchase of financial assets at fair value		(22,436,251)	(31,163,025)
Sale of financial assets at fair value		21,797,861	18,579,758
<b>Net cash used in operating activities</b>		<b>(68,049)</b>	<b>(13,396,893)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Shares	11&12	2,456,300	11,229,118
Issue costs relating to issue of Ordinary Shares		(49,672)	(235,188)
Loan repaid		-	(750,000)
<b>Net cash generated from financing activities</b>		<b>2,406,628</b>	<b>10,243,930</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,338,579</b>	<b>(3,152,963)</b>
Net cash and cash equivalents at beginning of year		(2,768,301)	384,662
<b>Cash and cash equivalents at end of year</b>		<b>(429,722)</b>	<b>(2,768,301)</b>

The notes on pages 14 to 29 form part of these Financial Statements.

## Notes to the Financial Statements for the year ended 31st December 2010

### 1. Company Information

Golden Prospect Precious Metals Limited ("the Company") was incorporated in Guernsey on 16 October 2006 under the Companies Law (Guernsey) 1994 as a limited liability closed-end investment company.

The Company's ordinary shares were admitted to trading on AIM, the market of that name operated by the London Stock Exchange on 28 November 2006. On 5 June 2009, a special resolution was passed authorising the cancellation of the admission to trading on AIM. On 16 June 2009, the Company was simultaneously admitted to trading on the International Bulletin Board of the London Stock Exchange (ITBB) and cancelled from trading on AIM. As from September 2009, the shares have been traded on London Stock Exchange SETS with the code GPM.

The Company's ordinary shares were admitted to the Official List of the Channel Islands Stock Exchange ("CISX") on 24 June 2008.

During the year the Company issued 2,420,000 (2009: 25,023,294) new Ordinary shares at a value of £2,406,628 (2009: £10,993,930) after issue costs.

### Investment Objective and Policy

The Company's investment objective is to generate above average returns for Shareholders primarily through the capital appreciation of its investments. The Directors believe that such returns can be obtained by investing in a selective portfolio of securities and other instruments in the precious metals, diamond and uranium sectors.

### 2. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's Financial Statements:

#### Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations by the International Accounting Standards Board (IASB) as endorsed by the European Union and the additional disclosures required regarding income and capital within the Income Statement and in accordance with the Investments Trusts Statement of Recommended Practice (SORP) 2009 (Revised).

#### Adoption of new and revised Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC)

of the IASB as endorsed by the European Union that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010.

- IFRS 1: First - time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters - for accounting periods commencing on or after 1 July 2010.
- IFRS 1: First- time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease - for accounting periods commencing on or after 1 January 2010.
- IFRS 2: Share-based Payment - Amendments relating to group cash-settled share-based payment transactions - for accounting periods commencing on or after 1 January 2010.
- IFRS 2: Share-based Payment - Amendments resulting from April 2009 Annual improvements - for accounting periods commencing on or after 1 January 2010.
- IFRS 3: Business Combinations - Comprehensive revision on applying the acquisition method - for accounting periods commencing on or after 1 July 2009.
- IFRS 5: Non-current Assets Held for sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 July 2009.
- IFRS 5: Non-current Assets Held for sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods on or after 1 January 2010.
- IFRS 8: Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.
- IAS 1: Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.
- IAS 7: Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.
- IAS 17: Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.
- IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS3 - for accounting periods commencing on or after 1 July 2009.
- IAS 28: Investments in Associates - Consequential amendments arising from amendments to IFRS 3 - for accounting periods commencing on or after 1 July 2009.
- IAS 31: Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 - for accounting periods commencing on or after 1 July 2009.
- IAS 32: Financial Instruments: Presentation - Amendments resulting to classification of rights issues - for accounting periods commencing on or after 1 January 2010.
- IAS 36: Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 2. Principal Accounting Policies (Continued)

- IAS 38: Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 July 2009.
- IAS 39: Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items - for accounting periods commencing on or after 1 July 2009.
- IAS 39: Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2010.

##### Interpretations

- IFRIC 17: Distributions of non cash assets - for accounting periods commencing on or after 1 July 2009.
- IFRIC 18: Transfers of assets from customers - for accounting periods commencing on or after 1 July 2009.

The adoption of these standards and interpretations has not led to any changes in the company's accounting policies.

#### Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:-

- IFRS 9: Financial Instruments - Classification and Measurement - for accounting periods on or after 1 January 2013\*

#### Revised and Amended Standards

- IFRS 1: First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs -for accounting periods commencing on or after 1 January 2011\*
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with the date of transition' to IFRS - for accounting periods commencing on or after 1 July 2011\*
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Additional exemptions for entities ceasing to suffer from severe hyperinflation - for accounting periods commencing on or after 1 July 2011\*
- IFRS 3: Business combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 July 2010\*
- IFRS 7: Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2011
- IFRS 7: Financial Instruments: Disclosures - Amendments enhancing disclosure about transfers of financial assets - for accounting periods commencing on or after 1 July 2011\*
- IAS 1: Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2011\*
- IAS 12: Income taxes - Limited scope amendment (recovery of underlying assets) - for accounting periods commencing on or after 1 January 2012\*
- IAS 24: Related Party Disclosures - Revised definition of related parties - for accounting periods commencing on or after 1 January 2011
- IAS 27: Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 July 2010\*
- IAS 34: Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs - for accounting periods commencing on or after 1 January 2011\*

## Notes to the Financial Statements (Continued) for the year ended 31st December 2010

### 2. Principal Accounting Policies (Continued)

#### Interpretations

- IFRIC 14 IAS 19 - November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011\*
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - for accounting periods commencing on or after 1 July 2010\*

\*Still to be endorsed by the EU

The Company is currently assessing the impact of the above standards, however, the Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Company with the exception of IFRS 9.

In November of 2009, the IASB issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

#### Basis of Preparation

The Financial Statements are presented in Sterling which is also the functional currency of the Company as the majority of transactions are effected in Sterling. The Financial Statements have been prepared on a historical cost basis except for the measurement of financial assets and financial liabilities at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

### Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. The Company's financial assets fall within the following categories.

#### Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method, less any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the income statement.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

#### *Financial assets at fair value*

##### Classification

All investments are classified as "financial assets at fair value". These financial assets are designated by the Board of Directors at fair value through profit or loss at its inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

##### Recognition

Regular-way purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

## 2. Principal Accounting Policies (Continued)

### Measurement

Financial assets at fair value are initially recognised at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value' category are presented in the income statement in the period in which they arise.

### Fair value estimation

The fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for the financial assets held by the Company is the bid price at the close of the respective market at the balance sheet date.

### Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either (i) when the Company has transferred substantially all the risks and rewards of ownership, or (ii) when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset, or (iii) when the contractual right to receive cash flows has expired. Any gain or loss on derecognition is taken to the Income Statement as appropriate.

### Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially recognised at fair value net of transaction costs incurred. The Company's financial liabilities only consist of financial liabilities measured at amortised cost.

### Financial liabilities measured at amortised cost

These include payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Bank borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

### Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Income Statement.

### Fair value measurement hierarchy

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the Balance Sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)(level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

### Offsetting financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the Balance Sheet and Income Statement when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

### Interest income and expense

Interest income and interest expense are recognised within the Income Statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the future cash inflows and outflows of a financial instrument through its expected life.

The calculation includes all incidental fees, discounts and transaction costs, these cash flows are integral in calculating the Income Statement charge. Transaction costs are incremental costs that are directly attributable to the purchase or disposal of a financial instrument.

## Notes to the Financial Statements (Continued) for the year ended 31st December 2010

### 2. Principal Accounting Policies (Continued)

#### Income

All income is accounted for on an accruals basis and is recognised in the Income Statement.

#### Expenses

Expenses are accounted for on an accruals basis. Expenses are charged to the Income Statement as items of a revenue nature. Expenses incurred on the acquisition of investments at fair value through the profit or loss are included in the initial cost of the Investment.

#### Share Issue Expenses

During the year the Company incurred share issue costs of £49,672 (31 December 2009: £235,188). These have been treated as a deduction from equity in the Statement of Changes in Equity, and written off against the Share Premium Account.

#### Capital Reserves

Gains and losses recorded on the realisation of investments are accounted for in the Realised Capital Reserve. Unrealised gains and losses recorded on the revaluation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the Unrealised Capital Reserve.

#### Translation of foreign currency

Items included in the Company's Financial Statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The currency in which the Company's Shares are denominated and in which its operating expenses are incurred is Sterling. The Company's investments are denominated in many different currencies. Accordingly, the Directors regard Sterling as the functional currency. The Company has also adopted Sterling as its presentational currency.

Transactions in currencies other than the functional currency are recorded using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and those from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on non-monetary items such as financial assets held at fair value through profit or loss are reported as part of net gains or losses on financial assets through profit or loss in the Income Statement.

### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Company is organised into one main operating segment, which invests in precious metals securities which are principally listed on the stock exchanges of London, Toronto and Sydney. All of the company's activities are interrelated, and each activity is based upon analysis of the Company as one segment. On a day to day basis investment decisions have been delegated to the Investment manager, New City Investment Managers Ltd.

The Company does not hold any non-current assets which require disclosure under IFRS 8. The Company also does not have any external customers therefore the disclosure of customers geographically required under IFRS 8 is not applicable. However, for additional information, the total fair value of the segment and the equivalent percentages of the total value of the Company can be found in the portfolio statement on page 30.

### Sales of investments awaiting settlement

Sales of investments awaiting settlement are sales of securities transacted before the year end with a post year end settlement date.

### 3. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and has paid an annual exemption fee of £600. With effect from 1 January 2008, Guernsey's Corporate Tax changed, however there is no effect on the Company's tax position as a result of this change as the Company continues to register as tax exempt.

### 4. Distribution to shareholders

The Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any cash dividends. In the event that net income is significant, the Directors may consider the distribution of net income in the form of cash dividends. To the extent that any cash dividends are paid, they will be paid in accordance with any applicable laws and the regulations of the Channel Islands Stock Exchange.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 5. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. All Directors are entitled to remuneration for their services of £12,000 per annum. During the year ended 31 December 2010, directors' fees of £36,000 were charged to the Company (31 December 2009: £36,048) and £3,074 was payable at the year end (31 December 2009: £3,074). All Directors are non-executive.

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company and are, or may be material:

#### Investment Manager

The Company's investment manager agreement was novated on 15 September 2008 to New City Investment Managers Limited (the "Investment Manager"). New City Investment Managers Limited changed its name to CQS Asset Management Limited on 5 March 2010. The Investment Manager is entitled to an annual management fee, payable monthly in arrears, of 1.5 % of Net Asset Value.

The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. During the year ended 31 December 2010 investment management fees of £470,835 were charged to the Company (31 December 2009: £199,982) and £65,630 was payable at the year end (31 December 2009: £29,426).

The Investment Manager is also entitled to receive an annual Performance Fee equal to 20% of the increase in the Company's Net Asset Value on the last Trading Day of each calendar year, above an annual hurdle for growth of 8% and subject to a high water mark. During the year ended 31 December 2010 no performance fees had accrued to the Investment Manager (31 December 2009: £nil).

#### Administrator

In the prior period the Company's administrator changed from Northern Trust International Fund Administration Services (Guernsey) Limited (NTIFS) to Legis Fund Services Limited (the "Administrator"). In consideration for the services provided by the Administrator under

the Administration and Secretarial Agreement, the Administrator is entitled to receive from the Company an annual fee of £55,000 per annum payable monthly in arrears with a "one-off" takeon fee of £5,000. The previous Administrator was entitled to receive from the Company an annual fee of 0.10% of the average monthly Net Asset Value of the Company calculated at each month end and paid quarterly, subject to a minimum fee of £37,500 per annum with a corporate governance fee of £25,000. During the year ended 31 December 2010 administration fees of £55,000 were charged to the Company (31 December 2009: £71,139) and £4,671 was payable at the year end (31 December 2009: £4,671).

#### Custodian

In the prior period the Company's custodian changed from Northern Trust (Guernsey) Limited (NTGL) to Credit Suisse Securities (Europe) Limited (the "Custodian"). In consideration for the services provided the Directors were accruing £1,500 per month prior to an agreement being signed. The accrual has been capped at £15,000. The previous custodians, under the Custodian Agreement, were entitled to receive an annual custody fee of 0.10% of the average Net Asset Value of the Company calculated at each month end and paid quarterly. In addition the Company paid custody transaction charges at rates depending on the number of trades effected and the location of securities held. During the year ended 31 December 2010 there was an amount shown in the Income statement for custodian fees of £123 due to the accrual being capped at £15,000 (31 December 2009: £34,498) and £15,000 was payable at the year end (31 December 2009: £15,123).

#### 6. Basic and diluted earnings per ordinary share

Basic earnings per Ordinary Share is calculated by dividing the comprehensive income for the year of £26,424,208 (31 December 2009: £7,553,523) by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of ordinary shares is 38,241,726 (31 December 2009: 27,092,118).

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 7. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in Note 2.

The following table analyses the fair value of the financial assets and liabilities by category as defined in IAS 39.

#### Categories of financial instruments

	Fair Value £	31.12.10 % of net assets attributable to shareholders
<b>Financial assets designated as at fair value through profit or loss</b>		
Listed equity securities	52,182,158	100.52
Bonds	240,525	0.46
	<b>£52,422,683</b>	<b>100.98</b>
<b>Financial instruments designated as cash and cash equivalents and receivables</b>		
Cash and cash equivalents	842,235	1.62
Receivables	26,778	0.05
	<b>£869,013</b>	<b>1.67</b>
<b>Financial instruments designated as current liabilities</b>		
Payables and accruals	(106,051)	(0.20)
Bank overdraft	(1,271,957)	(2.45)
	<b>(£1,378,008)</b>	<b>(2.65)</b>
<b>Net gains on financial assets at fair value through profit or loss:</b>		01.01.10 to 31.12.10 £
Realised gains on financial assets designated as at fair value through profit or loss		2,835,310
Net unrealised gains on financial assets designated as at fair value through profit or loss		23,050,134
<b>Net gains on financial assets at fair value through profit or loss</b>		<b>£25,885,444</b>

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 7. Financial Instruments (Continued)

	Fair Value £	31.12.2009 % of net assets attributable to shareholders
<b>Financial assets designated as at fair value through profit or loss</b>		
Listed equity securities	25,611,293	110.95
Listed debt securities	309,600	1.34
	£25,920,893	112.29
<b>Financial instruments designated as cash and cash equivalents and receivables</b>		
Cash and cash equivalents	2,277,217	9.87
Receivables	29,635	0.13
	£2,306,852	10.00
<b>Financial instruments designated as current liabilities</b>		
Payables and accruals	(99,375)	(0.43)
Bank overdraft	(5,045,518)	(21.86)
	(£5,144,893)	(22.29)
<b>Net gains on financial assets at fair value through profit or loss:</b>		<b>01.01.09 to 31.12.09 £</b>
Realised losses on financial assets designated as at fair value through profit or loss		(172,234)
Net unrealised gains on financial assets designated as at fair value through profit or loss		8,543,085
<b>Net gains on financial assets at fair value through profit or loss</b>		<b>£8,370,851</b>

#### 8. Cash and Cash Equivalents

For the purpose of the Cash Flow Statement,  
cash and cash equivalents comprise the following:

	31.12.2010 £	31.12.2009 £
Cash at bank	842,235	2,277,217
Bank overdraft	(1,271,957)	(5,045,518)
	(£429,722)	(£2,768,301)

Overdraft interest is calculated on a daily basis using the one month Libor rate plus 175 basis points and is charged to the client on a monthly basis. In order to satisfy the bank of liquidity a margin requirement is calculated to establish a cash position that must be maintained as collateral. If the Company falls into deficit then more funds are called. If the margin calls are not met then Credit Suisse can call in the funds.

## Notes to the Financial Statements (Continued)

for the year ended 31st December 2010

### 9. Receivables

	31.12.2010 £	31.12.2009 £
Dividend income receivable	-	8,044
Bond interest receivable	5,897	2,591
Sales of investments awaiting settlement	18,490	8,464
General expenses prepaid	2,391	10,536
	£26,778	£29,635

The Directors consider that the carrying amount of receivables approximate their fair value.

### 10. Payables and Accruals

	31.12.2010 £	31.12.2009 £
Administration fee payable (Note 5)	4,671	4,671
Directors' fees payable (Note 5)	3,074	3,074
Investment management fee payable (Note 5)	65,630	29,426
Other accruals	5,675	14,628
Audit fee payable	12,001	12,000
Custodian fee payable (Note 5)	15,000	15,123
Purchase of investments awaiting settlement	-	12,018
Overdraft interest payable	-	8,435
	£106,051	£99,375

The Directors consider that the carrying amount of payables approximate their fair value.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 11. Share Capital

Authorised Share Capital	£
200,000,000 Ordinary share of £0.001 par value	£200,000
200,000,000 Warrants of no par value	£-

Issued and Fully Paid Share Capital	No. of Shares		Share capital	
	2010	2009	2010 £	2009 £
<b>Equity Shares</b>				
Ordinary Shares of £0.001 each at inception				
As at 1 January	37,950,000	12,926,706	37,950	12,927
Issued during the year	2,420,000	25,023,294	2,420	25,023
<b>As at 31 December</b>	<b>40,370,000</b>	<b>37,950,000</b>	<b>40,370</b>	<b>37,950</b>

Ordinary Shareholders are entitled to one vote for each Ordinary Share held and are entitled to receive any distributions declared by the Company. On a winding up, the Ordinary Shareholders shall be entitled, pro rata to their holdings, to all the assets of the Company available for distribution to shareholders.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

#### 12. Reserves

	01.01.2010 £	Movement £	31.12.2010 £
Distributable reserve	23,391,862	2,404,208	25,796,070
Realised capital reserve	(4,667,335)	2,835,310	(1,832,025)
Capital reserve	6,340,689	23,050,134	29,390,823
Comprehensive loss for the year	(2,020,314)	538,764	(1,481,550)
	£23,044,902	£28,828,416	£51,873,318
	01.01.2009 £	Movement £	31.12.2009 £
Distributable reserve	12,422,955	10,968,907	23,391,862
Realised capital reserve	(4,495,101)	(172,234)	(4,667,335)
Capital reserve	(2,202,396)	8,543,085	6,340,689
Comprehensive loss for the year	(1,202,986)	(817,328)	(2,020,314)
	£4,522,472	£18,522,430	£23,044,902

#### Distributable reserve

The distributable reserve can be used for all purposes permitted under Guernsey company law, including the buy-back of shares and payment of dividends.

#### Realised Capital Reserve and Unrealised Capital Reserve

The realised capital reserve contains gains and losses on the disposal of investments, and increases and decreases in the fair value of the Company's investment portfolio, together with expenses allocated to capital.

#### Revenue Reserves

Any surplus/deficit arising from total comprehensive income is taken to this reserve, which may be utilised for the buy-back of shares and payment of dividends.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

### 13. Financial Risk Management

The Company is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk and price risk). The Company's risk management policies, approved by the Board of Directors, seek to minimise the potential adverse effects of these risks on the Company's financial performance.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

As at the date of the Balance Sheet, financial assets exposed to credit risk comprise a single debt instrument as disclosed in Note 7 as well as bank balances and receivables. It is in the opinion of the Board of Directors that the carrying amount of these financial assets represents the maximum credit risk exposure as at the date of the Balance Sheet.

As at 31 December 2010 there were no debt instruments past due (31 December 2009: None).

The Board of Directors has a policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Company's exposure and the credit ratings of its counterparties are continuously monitored by management. The following table illustrates the credit concentration by institution:

	31.12.2010 £	31.12.2009 £
Cash and cash equivalents:		
Credit Suisse Securities (Europe) Limited	842,235	2,277,217
Receivables	16,242	19,099
<b>Total assets at credit risk</b>	<b>£858,477</b>	<b>£2,296,316</b>

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

### 13. Financial Risk Management (Continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Whilst most of the Company's financial assets are listed securities which are considered readily realisable as they are listed on major

recognised stock exchanges, some of the financial assets held by the Company may not be listed on recognised stock exchanges and so will not be readily realisable and their marketability may be restricted. The Company might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so.

The following table details the Company's liquidity analysis for its financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial liabilities that settle on a net basis and the undiscounted gross cash flows on those financial liabilities that require gross settlement.

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	31.12.10 Total £
<b>Gross settled</b>					
Borrowings	-	-	-	-	-
Bank overdraft	-	1,271,957	-	-	1,271,957
Bank overdraft interest	-	-	-	-	-
Performance fee accrual	-	-	-	-	-
Investment management fee payable	65,630	-	-	-	65,630
Administration fee payable	4,671	-	-	-	4,671
Directors' fees payable	3,074	-	-	-	3,074
Audit fee payable	-	-	12,001	-	12,001
Purchase of investments awaiting settlements	-	-	-	-	-
Other payables	20,675	-	-	-	20,675
	£94,050	£1,271,957	£12,001	£-	£1,378,008
	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	31.12.09 Total £
<b>Gross settled</b>					
Borrowings	-	-	-	-	-
Bank overdraft	-	5,045,518	-	-	5,045,518
Bank overdraft interest	8,435	-	-	-	8,435
Performance fee accrual	-	-	-	-	-
Investment management fee payable	29,426	-	-	-	29,426
Administration fee payable	4,671	-	-	-	4,671
Directors' fees payable	3,074	-	-	-	3,074
Audit fee payable	-	-	12,000	-	12,000
Purchase of investments awaiting settlements	12,018	-	-	-	12,018
Other payables	28,623	-	1,128	-	29,751
	£86,247	£5,045,518	£13,128	£-	£5,144,893

The Investment Manager manages liquidity on a daily basis. The Company's overall exposure to liquidity risk is monitored by the Board of Directors on a quarterly basis.

The Company expects to meet its other obligations for operating cash flows at the Balance Sheet date. The Company expect to maintain current debt to equity ratio within 30% of NAV.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

## 13. Financial Risk Management (Continued)

### Market risk

The Company's activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates.

### Price risk

The Company is exposed to market price risk arising from its financial assets designated as at fair value through profit or loss. The performance of these financial assets will be affected by the performance of the investee companies. The exploration, development and production of metal and mineral deposits involves significant uncertainties and the investee companies will be subject to all the hazards and risks normally encountered in such activities. Many of these are difficult to predict and are outside the control of the investee companies. They include, amongst others, issues relating to the environment, the climate, the geopolitical environment, local and international regulatory requirements, licensing terms, planning permission, unexpected geological formations, rock falls, flooding, pollution, legal liabilities, the availability and reliability of plant and equipment, the scaling-up of operations, the reliance on key individuals, local finance and tax regimes, foreign currency repatriation, capital and budget constraints, contractors and suppliers, local employment regulations and practices, employment unions and the availability of suitable labour. In addition, there is often no guarantee that the estimates of quantities and grades of metals and minerals disclosed by investee companies will be available for extraction.

The Company's financial assets are exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers set out in the Placing and Offer for Subscription document mitigates the risk of excessive exposure to any particular type of security or issuer. However, with respect to the investment strategy utilised by the Company there is always some, and occasionally some significant, degree of market risk.

### Price sensitivity

The value of the Company's financial assets had a sensitivity of £2,621,134 (31 December 2009: £1,296,045) to a 5% increase or decrease in the market prices with other variables being held constant as at 31 December 2010. A 5% change is the sensitivity rate used when reporting price risk internally to key management personnel.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company was exposed to interest rate risk in the prior period as it had a loan, the drawn down component of which was subject to interest calculated as a function of LIBOR, and is exposed to risk as it has cash and cash equivalents which are invested at short term rates. The Investment Manager manages the Company's exposure to interest rate risk on a daily basis in accordance with the Company's investment objective and policies. The Company's overall exposure to interest rate risk is monitored on a quarterly basis by the Board of Directors.

### Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the date of the Balance Sheet and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 25 basis points higher or lower and all other variables had been held constant, the Company's net assets attributable to holders of Ordinary Shares for the year to 31 December 2010 would have been £142 (31 December 2009: £3,764) higher or lower due to the change in the interest payable on the bank loan and the interest receivable on cash and cash equivalents.

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

### 13. Financial Risk Management (Continued)

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The presentation currency of the Company is Sterling. The Company's financial assets are currently denominated in various currencies other than Sterling and the Company may hold other financial instruments, the price of which may be determined with reference to currencies other than Sterling.

To the extent that these financial instruments are unhedged, or are not adequately hedged, the value of the Company's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be affected unfavourably by fluctuations in currency rates and exchange control regulations. The Investment Manager has the power to manage exposure to currency movements by using hedging instruments. The Investment Manager's treatment of currency transactions is set out in Note 2 to the Financial Statements under "Translation of foreign currency".

There were no hedging instruments held at 31 December 2010 (31 December 2009: None).

The carrying amount of the Company's foreign currency denominated financial assets and financial liabilities at the date of the Balance Sheet was as follows:

	31.12.2010		31.12.2009	
	Assets £	Liabilities £	Assets £	Liabilities £
Australian Dollar (AUD)	12,632,745	-	3,902,856	(465,874)
Canadian Dollar (CAD)	36,342,445	(1,271,957)	16,412,385	(3,230,178)
United States Dollar (USD)	1,399,152	-	4,136,722	(1,369,919)
	50,374,342	(1,271,957)	24,451,963	(5,065,971)

## Notes to the Financial Statements (Continued)

### for the year ended 31st December 2010

### 13. Financial Risk Management (Continued)

#### Foreign currency sensitivity

The Company is mainly exposed to AUD, CAD and USD.

The following table details the Company's sensitivity to a 5% increase or decrease in Sterling against the relevant foreign currencies. A 5%

change is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and financial liabilities and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number indicates an increase in net assets attributable to holders of Ordinary Shares where Sterling weakens against the relevant currency and a negative number indicates a decrease in net assets where Sterling strengthens against the relevant currency.

	AUD £	CAD £	31.12.2010 USD £
Change in net assets in response to a 5% change in foreign currency rates	664,882 (601,559)	1,845,815 (1,670,023)	73,640 (66,626)
	AUD £	CAD £	31.12.2009 USD £
Change in net assets in response to a 5% change in foreign currency rates	180,894 (163,666)	693,800 (627,724)	145,621 (131,752)

#### Fair value analysis

The following table shows an analysis of the fair values of financial instruments recognised in the Balance Sheet by level of their fair value hierarchy (see Note 2, fair value measurement hierarchy).

	Level 1 £	Level 2 £	Level 3 £	31.12.2010 Total £
Financial assets at fair value through profit or loss	52,422,683	-	-	52,422,683
	Level 1 £	Level 2 £	Level 3 £	31.12.2009 Total £
Financial assets at fair value through profit or loss	25,580,306	340,587	-	25,920,893

### 14. Contingent Liabilities

There were no contingent liabilities at the balance sheet date.

### 15. Subsequent Events

There are no subsequent events.

### 16. Controlling Party

The issued shares of the Company are owned by numerous parties and therefore, in the opinion of the Directors, there is no immediate or ultimate controlling party of the Company.

## Substantial Interests

### Significant Registered Shareholders

The Company has received notification that the following Shareholders had a substantial interest of 10% or more of the Company's issued share capital as at the year end:

	% of issued share capital
Clients of HSBC Global Custody Nominee (UK)	20.86%
Clients of the Bank of New York (Nominees) limited	12.32%
Clients of Vestra Nominees Ltd	11.15%

## Portfolio Statement As at 31 December 2010

Description	Holding	Fair Value £	% of Total Net Assets
<b>Equities</b>			
Australia			
Adamus Resources Ltd	2,671,984	1,420,140	2.74%
Azumah Resources Ltd	1,748,573	814,618	1.57%
Ausgold Ltd	3,980,000	3,656,144	7.04%
Gryphon Minerals Ltd	1,852,173	2,175,438	4.19%
Newcrest Mining Ltd	86,799	2,300,956	4.43%
Perseus Mining Ltd	400,000	881,884	1.70%
Other holdings		716,791	1.38%
		11,965,971	23.05%
Canada			
East Asia Minerals Corp	120,000	634,755	1.22%
Detour Gold Corp	50,000	938,909	1.81%
Eldorado Gold Corp	220,000	2,624,043	5.05%
Gran Columbia Gold	1,000,000	1,399,817	2.70%
IAMGOLD Corp	125,000	1,431,264	2.76%
Perseus Mining Ltd	450,000	995,676	1.92%
Semafo Inc	500,000	3,467,288	6.68%
North American Palladium Ltd	200,000	886,335	1.71%
Tahoe Resources Inc	70,000	663,332	1.28%
Fortuna Silver Mines Inc	200,000	614,113	1.18%
Minco Silver Corp	250,000	1,017,609	1.96%
Orko Silver Corp	400,000	722,486	1.39%
Silver Wheaton Corp	225,000	5,650,389	10.88%
Alamos Gold inc	235,000	2,863,593	5.52%
Kinross Gold Corp	222,250	2,703,926	5.21%
Extorre Gold Mines	125,000	537,026	1.03%
Pretium Resources	166,000	681,046	1.31%
Volta Resources Inc	500,000	770,867	1.48%
Other holdings		2,430,434	4.67%
		31,032,908	59.76%

## Portfolio Statement (Continued)

As at 31 December 2010

Equities	Holding	Fair Value £	% of Total Net Assets
<b>United Kingdom</b>			
Fresnillo Plc	120,000	2,001,600	3.86%
Other holdings		715,872	1.38%
		2,717,472	5.24%
<b>United States</b>			
Gold Bullion Securities Ltd	10,000	886,839	1.71%
Other holdings		185,563	0.36%
		1,072,402	2.07%
<b>Total Equities</b>		46,788,753	90.12%
<b>Warrants</b>			
Ausgold EQW31-Mar-13	5,000,000	3,608,900	6.95%
First Majestic Silv Co mat 12/08/11	100,000	703,134	1.35%
Other holdings		997,503	1.92%
<b>Total warrants</b>		5,309,537	10.22%
<b>Call option</b>			
North American Palladium	100,000	83,868	0.17%
<b>Bond</b>			
<b>United States</b>			
Atna Resources Ltd 10% 31 Dec 2013	375,000	240,525	0.47%
		240,525	0.47%
<b>Total investments</b>		52,422,683	100.98%
Other current assets less current liabilities		(508,995)	-0.98%
<b>Total Net Assets</b>		£51,913,688	100.00%

# GOLDEN PROSPECT PRECIOUS METALS LIMITED

Registered Office Address: 11 New Street, St. Peter Port, Guernsey, GY1 2PF  
Registration Number: 45676

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of Members of Golden Prospect Precious Metals Limited (the "Company") will be held at Legis House, 11 New Street, St Peter Port, Guernsey on Friday 3rd June 2011 at 11.00 a.m. (UK Time) to transact the business set out in the Resolutions below. Resolutions 1 to 5 (inclusive) will be proposed as Ordinary Resolutions.

### RESOLUTIONS:

1. To receive the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2010.
2. To re-appoint BDO Limited as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors of the Company to determine the remuneration of the auditor.
4. To re-elect Mr Malcolm Burne as a Director of the Company in accordance with Article 19.3 of the Articles of Association of the Company.
5. To approve that conditional upon the Ordinary Shares of the Company continuing to be traded on the main market of the London Stock Exchange, the Company be authorised in accordance with Article 4.8 of the Articles of Association of the Company and The Companies (Guernsey) Law, 2008, as amended, (the "Law") to make market acquisitions of its own shares provided that unless a tender offer is made to all holders of Ordinary Shares:-
  - 5.1 the maximum number of Shares hereby authorised to be purchased shall be less than 15% of the Company's issued share capital;
  - 5.2 the minimum price (exclusive of expenses) which may be paid for the Shares is £0.01 per Share;
  - 5.3 the maximum price (exclusive of expenses) payable by the Company which may be paid for the Shares shall be 5% above the average of the middle market quotations taken from the AIM appendix to the London Stock Exchange Daily Official List on each of the five business days before the purchase is made;
  - 5.4 the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the annual general meeting of the Company to be held in 2012 or, if earlier, the date falling eighteen months from the date of passing of these resolutions;
  - 5.5 the Company may make a contract to purchase its own shares under that authority hereby conferred prior to the expiry of such authority which will or may be executed or wholly or partly executed after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract; and,
  - 5.6 the purchase price may be paid by the Company out of distributable profits or out of capital and share premium or otherwise to the fullest extent permitted by the Ordinance.

### NOTE TO SHAREHOLDERS

On 14 April 2011, pursuant to Resolution 8.2 passed by Members at the Annual General Meeting held on 4 June 2010, the Board of Golden Prospect Precious Metals Limited approved an increase in Directors' fees to £16,000 per annum for each Director, effective from 1 January 2011.

### BY ORDER OF THE BOARD

Legis Fund Services Limited  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

14 April 2011

### NOTES:

1. Members entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company. A form or proxy accompanies this notice. Completion and return of the form of proxy will not preclude members from attending or voting at the Meeting, if they so wish. The fact that members may have completed forms of proxy will not prevent them from attending and voting at the Meeting in person should they afterwards decide to do so.
2. To be valid, the form of proxy, together with the power of attorney or the authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited with Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the Meeting or adjourned Meeting or the taking of a poll at which the person named in the instrument proposes to vote.
3. A member must first have his or her name entered on the register of members not later than 11:00 a.m. on 1 June 2011. If the Meeting is adjourned, members entered on the register not later than 48 hours before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any holders to attend and vote at the Meeting.
4. If you do not intend to attend the meeting please complete and return the form of proxy as soon as possible.

# GOLDEN PROSPECT PRECIOUS METALS LIMITED

Registered Office Address: 11 New Street, St. Peter Port, Guernsey, GY1 2PF  
Registration Number: 45676

## FORM OF PROXY FOR USE AT THE FORTH ANNUAL GENERAL MEETING OF GOLDEN PROSPECT PRECIOUS METALS LIMITED (THE "COMPANY") TO BE HELD ON FRIDAY 3rd JUNE 2011 AT 11AM

I/We (BLOCK CAPITALS PLEASE) \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_ (address)  
being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 1)

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Legis House, 11 New Street, St Peter Port, Guernsey on Friday 3 June 2011 at 11.00 a.m. and any adjournment thereof.

*Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.*

ORDINARY RESOLUTIONS		FOR	AGAINST	ABSTAIN
1.	To receive the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2010.			
2.	To re-appoint BDO Limited as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.			
3.	To authorise the Directors of the Company to determine the remuneration of the auditor.			
4.	To re-elect Mr Malcolm Burne as a Director of the Company in accordance with Article 19.3 of the Articles of Association of the Company.			
5.	To approve that conditional upon the Ordinary Shares of the Company remaining trading on the main market of the London Stock Exchange, the Company be authorised in accordance with The Companies (Guernsey) Law, 2008, as amended, (the "Law") to make market acquisitions of its own shares provided that unless a tender offer is made to all holders of Ordinary Shares:-			
5.1	the maximum number of Shares hereby authorised to be purchased shall be less than 15% of the Company's issued share capital;			
5.2	the minimum price (exclusive of expenses) which may be paid for the Shares is £0.01 per Share;			
5.3	the maximum price (exclusive of expenses) payable by the Company which may be paid for the Shares shall be 5% above the average of the middle market quotations taken from the AIM appendix to the London Stock Exchange Daily Official List on each of the five business days before the purchase is made;			
5.4	the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the annual general meeting of the Company to be held in 2012 or, if earlier, the date falling eighteen months from the date of passing of these resolutions;			
5.5	the Company may make a contract to purchase its own shares under that authority hereby conferred prior to the expiry of such authority which will or may be executed or wholly or partly executed after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract; and,			
5.6	the purchase price may be paid by the Company out of distributable profits or out of capital and share premium or otherwise to the fullest extent permitted by the Ordinance.			

*Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.*

Signature \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

**NOTES:**

1. If you so desire you may delete the words "Chairman of the meeting" and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. Joint holders are not permitted to vote independently of each other and must vote as one.
4. To appoint more than one proxy to vote in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned together in the same envelope. Appointing a proxy shall not preclude a member from attending and voting in person at the meeting.
5. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
6. To be valid, this form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote.
7. No member shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls due from him have been paid.

## Notes

# Management and Administration

## Directors

Malcolm Alec Burne (chairman)  
Kaare Glenne Foy  
Robert Paul King

## Registered Office

11 New Street  
St Peter Port  
Guernsey GY1 2PF

## Management and Administration

### Investment Manager

New City Investment Managers  
5th Floor  
33 Chester Street  
London SW1X 7BL

### Auditors

BDO Limited  
PO Box 180  
Place du Pré  
Rue du Pré  
St. Peter Port  
Guernsey GY1 3LL

### Administrator and Secretary

Legis Fund Services Limited  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

### Registrar and CREST Agent

Capita Registrars (Guernsey) Limited  
1 Le Truchot  
St. Peter Port  
Guernsey GY1 4AE

### Financial Advisors

Singer Capital Markets  
1 Hanover Street  
London W1S 1AX

### Legal Adviser (Guernsey)

Ogier  
Ogier House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 1WA

### Legal Adviser (UK)

Lawrence Graham LLP  
4 More London Riverside  
London SE1 2AU

### Custodian and Principal Bankers

Credit Suisse Securities (Europe) Limited  
(appointed 1 October 2009)  
1 Cabot Square  
London EC2Y 5AB

### Broker to the Company

Singer Capital Markets  
1 Hanover Street  
London W1S 1AX

### Sponsor to the Channel Islands Stock Exchange

Legis Fund Services Limited  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

### Market Makers

Singer Capital Markets  
1 Hanover Street  
London W1S 1AX

Canaccord Genuity  
Cardinal Place  
Victoria Street  
London SW1E 5JL

Winterflood Securities  
25 Dowgate Hill  
London EC4R 2GA

KBC Peel Hunt  
111 Old Broad Street  
London EC2N 1PH

Further details are available on the Company's website:  
[www.ncim.co.uk](http://www.ncim.co.uk)



**Golden Prospect Precious Metals Limited**

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St. Peter Port  
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Channel Islands

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