

# GOLDEN PROSPECT PRECIOUS METALS LIMITED



Annual Report and Audited Financial Statements  
for the year ended 31 December 2011



GOLDEN  
PROSPECT  
PRECIOUS  
METALS

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Chairman’s Statement

Introduction

2011 was a tough year for financial markets. Initially the markets were plagued by fears of Eurozone sovereign debt defaults and as the year unfolded, it became quite clear that the global economy was beginning to slow as well. It therefore comes as no surprise that against this back drop, equities had a more difficult year.

Investment performance

Gold bullion on the other hand, continued its eleventh consecutive positive year of returns. It returned approximately 10% on the year. At the peak of the fears on Eurozone sovereign debt defaults, gold bullion reached an intra-day high of \$1,921.15/oz, in September. It closed the year at \$1,563.70/oz after a hearty correction.

Nonetheless, gold equities declined resulting in the company’s share price declining by 12.5% over the year. However, taking into account the bonus issue of half a subscription share, the value of the investment would have only declined by 5.8%. In terms of NAV, the published fund NAV has depreciated by 23.4%.

In October the Company successfully raised £18.6m, which also included a bonus of half a subscription share for each share subscribed. This provides subscription shares holders with the right, but not the obligation to subscribe for new ordinary shares in the Company at a price of 130 pence per share from 31 May 2012 and quarterly thereafter with the final subscription date being 30 November 2014. This will increase the size of the Company, thus enhancing liquidity in the shares and reducing the Company’s total expense ratio. I would like to take this opportunity to thank shareholders for their continuing support and welcome our new Investors to the Company.

Outlook

We continue to have a positive outlook for gold and gold shares for 2012. 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. We believe that these issues will not be resolved quickly and hence the positive outlook for our sector could continue for a period of time. What applies to gold also affects silver where the Company also has a signifcant exposure.

We see risks to our views and resolution to some of the debt issues could potentially be negative for gold prices in the short term but the ongoing growth of demand from emerging markets continue to be supportive of gold. We also see Central Banks playing a key role in the gold story. They are likely to continue to diversify some of their reserves into gold over the next few years and that again is a positive.

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

Malcolm Burne  
Chairman

02 April 2012

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 Directors of the Company at the date of signing the accounts, all of whom are non-executive are listed below:

**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**, has been a director of Great Panther Silver Limited (formerly Great Panther Resources Limited), a silver exploration and mining company based in Vancouver, from 1994 until the beginning of 2012. 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 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.

**Paul Craig**, is a Director of Multi-Manager at Henderson Global Investors. Mr. Craig has over 20 years of investment experience, including 10 years at Exeter Investment Group and 6 years at New Star Asset Management, where Mr. Craig was a Director of the asset management subsidiary. During the past 18 years, Mr. Craig’s focus has been multi-manager products with an emphasis on closed-end funds. Mr. Craig is an Associate of the UK Society for Investment Professionals.

**John Bowles**, for 40 years, Dr. Bowles has been active as an economic geologist and mineralogist specialising in gold and platinum resources. He has worked in University, Government Survey and Industry and is currently Honorary Visitor at the University of Manchester and Director of Mineral Science Ltd, a consultancy specialising in mineral assessment. He was a Director of the Company from its inception until 2008 and he has recently published a definitive reference work on the oxide minerals in the DHZ Rock-Forming Minerals series.

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 2011.

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.

The subscription rights conferred by the warrants lapsed without excercise on 16 November 2009 and the warrants were delisted on 25 November 2011. Subscription shares issued on 31October 2011 were admitted to trading on SETS QX and CISX on 31 October 2011.

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 2011 (2010: £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 and subsequently 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 2011:

	Ordinary Shares	Subscription shares
Robert King	20,000	10,000
Malcolm Burne	387,500	193,750
Kaare Foy	25,000	12,500
Dr John Bowles (appointed 3 January 2012)	4,124	2,107

Prior to 31 December 2010 all Directors received remuneration for their services of £12,000 per annum; with effect from 1 January 2011 this was increased to £16,000 per annum to reflect the workload involved. None of the Directors have a contract of service with the Company.

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 required to comply with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission (“the Code”) introduced on 1 January 2012. The Directors have 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 have taken appropriate measures to ensure that the Company complies, as appropriate given the Company’s size and nature of business, with the principles of the Code. For the purposes of assessing compliance with the Code, the Board considers all of the Directors as independent of the Investment Manager.

Directors’ Report (Continued)

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.

Auditor

The Auditor, BDO Limited, has 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 2 April 2012 and signed on behalf of the Board on 2 April 2012 by:

Robert King

John Bowles

Investment Manager’s Report

Looking back over the last 12 months, it has been a relatively turbulent year for global markets. It would be fair to say that there were many twists and turns in the saga but the main focus revolved around debt and the risk of sovereign defaults. Initially the market was really concerned that Greece may default and the impact on the cost of insuring their debt. The market then moved on to the other highly indebted countries such as Italy, Portugal and Spain. In the summer, the market was concerned with the US exceeding their debt ceiling and that they might default. Finally, the year finished with more fears of Greece defaulting having arranged for the creditors to take a voluntary haircut of over 50% on their outstanding balance.

Against this backdrop, it is not surprising to see that gold bullion had a reasonably good year, up 10% for the year to 31 December 2011. Gold prices peaked in September around \$1921.15/oz when there was fear of a US default. The gold shares as represented by the Philadelphia Gold & Silver Index did not fare well, for it fell by 20.4% in US\$ terms. In sterling terms, it fell by 19.9%. Our share price fell by 12.4% and our published NAV fell by 23.4%.

Why is there such a disparity between the performance of gold and gold shares, you may ask? In hindsight, the markets were prepared to buy the physical bullion as a form of money of last resort hence there was a real flow of money into gold especially when the panic was at its highest. However, in that panic, all equities were sold off which included gold mining companies.

At one level, this does not make much sense as the earnings for these companies improved with an improving gold price but at another level, the compartmentalising of gold mining equities as part of equities, simply dragged them down. The fact that a number of the mining companies continue to fail to meet production targets and Governments of resource companies increasing their take in profits by rising taxes has not helped the sector.

From our perspective, we do believe that as the dust settles, the best growth companies with good operational management will tend to re-rate with time. Tactically, we have sold down a lot of the explorers and have moved up towards cheaper producers. We believe that the market will be more discerning with future fund raisings, especially for explorers with lower quality deposits. Hence, we continue to position ourselves only in explorers with the potential for low cost production.

We believe that our fundamental stock picking approach combined with our macro overview, will enable us to guide the portfolio favourably through the year.

John Wong  
New City Investment Managers Limited



Independent Auditor’s 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 2011 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 is 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  
the 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 involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. 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 affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Independent Auditor’s 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 Pré  
Rue du Pré  
St Peter Port  
Guernsey

02 April 2012

## Income Statement

for the year ended 31st December 2011

	Notes	Revenue £	Capital £	01.01.11 to 31.12.11 Total £	01.01.10 to 31.12.10 Total £
<b>Income</b>					
Dividend income from equity securities designated at fair value through profit or loss		266,136	-	266,136	89,220
Interest income for financial assets that are not at fair value through profit or loss: on cash and cash equivalents	2	12,212	-	12,212	-
		278,348	-	278,348	89,220
Net (losses)/gains on financial assets at fair value through profit or loss	2,7	-	(14,648,062)	(14,648,062)	25,885,444
Net gains/(losses) on foreign currency	2	435,390	-	435,390	1,167,002
Other income		-	-	-	4,026
<b>Total income</b>		<b>713,738</b>	<b>(14,648,062)</b>	<b>(13,934,324)</b>	<b>27,145,692</b>
<b>Expenses</b>					
Investment management fees	5	(763,674)	-	(763,674)	(470,835)
Administration fees	5	(55,000)	-	(55,000)	(55,000)
Custodian fees	5	13,807	-	13,807	123
Directors' fees	5	(48,000)	-	(48,000)	(36,000)
Audit fees		(11,968)	-	(11,968)	(12,001)
Brokerage fees		(13,417)	-	(13,417)	(45,950)
Overdraft Interest		(27,735)	-	(27,735)	(2,189)
Directors' insurance costs		-	-	-	(11,470)
Registrar's fees		(12,133)	-	(12,133)	(14,289)
Sponsor fees		(23,240)	-	(23,240)	(15,488)
Legal fees		-	-	-	(17,820)
Printing		(18,385)	-	(18,385)	(13,436)
Other expenses		(64,694)	-	(64,694)	(27,129)
<b>Total operating expenses</b>		<b>(1,024,439)</b>	<b>-</b>	<b>(1,024,439)</b>	<b>(721,484)</b>
<b>Operating (loss)/profit</b>		<b>(310,701)</b>	<b>(14,648,062)</b>	<b>(14,958,763)</b>	<b>26,424,208</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(310,701)</b>	<b>(14,648,062)</b>	<b>(14,958,763)</b>	<b>26,424,208</b>
Basic (loss)/earnings per Ordinary Share (pence)	6			(34.49p)	69.10p
Diluted (loss)/earnings per Ordinary Share (pence)	6			(34.49p)	27.88p

The 'Total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS as endorsed by the European Union. 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 2011

	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total Equity £
<b>Balance as at 1 January 2011</b>		40,370	-	(1,832,025)	29,390,823	(1,481,550)	25,796,070	51,913,688
Total comprehensive income/(loss) for the year	12	-	-	7,413,663	(22,061,725)	(310,701)	-	(14,958,763)
Issue of ordinary shares	11	16,630	18,608,970	-	-	-	-	18,625,600
Issue costs relating to the issue of ordinary shares		-	(411,713)	-	-	-	-	(411,713)
Transfer to Distributable Reserve		-	(18,197,257)	-	-	-	18,197,257	-
<b>Balance as at 31 December 2011</b>		<b>£57,000</b>	<b>£-</b>	<b>£5,581,638</b>	<b>£7,329,098</b>	<b>(£1,792,251)</b>	<b>£43,993,327</b>	<b>£55,168,812</b>
	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total Equity £
<b>Balance as at 1 January 2010</b>		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	-
<b>Balance as at 31 December 2010</b>		<b>£40,370</b>	<b>£-</b>	<b>(£1,832,025)</b>	<b>£29,390,823</b>	<b>(£1,481,550)</b>	<b>£25,796,070</b>	<b>£51,913,688</b>

Balance Sheet  
as at 31st December 2011

	Notes	31.12.11 £	31.12.10 £
Current Assets			
Financial assets at fair value through profit or loss	2,7	54,971,023	52,422,683
Cash and cash equivalents	2,8	1,370,599	842,235
Receivables	9	51,027	26,778
Total Assets		56,392,649	53,291,696
Current Liabilities			
Payables and accruals	10	(85,565)	(106,051)
Bank overdraft	8	(1,138,272)	(1,271,957)
Total Liabilities		(1,223,837)	(1,378,008)
Total Assets less Current Liabilities		£55,168,812	£51,913,688
Equity			
Ordinary share capital	11	57,000	40,370
Revenue reserve	12	(1,792,251)	(1,481,550)
Distributable reserve	12	43,993,327	25,796,070
Other reserves	12	12,910,736	27,558,798
Total Equity		£55,168,812	£51,913,688
Number of Ordinary Shares in issue	11	57,000,000	40,370,000
Net Asset Value per Ordinary Share (pence)		96.78p	128.59p

The Audited Financial Statements on pages 10 to 29 were approved by the Board of Directors and authorised for issue on 02 April 2012 and signed on 02 April 2012 on its behalf by:

Robert KingKaare Foy

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

Cash Flow Statement  
for the year ended 31st December 2011

	Notes	01.01.2011 to 31.12.2011 £	01.01.2010 to 31.12.2010 £
Cash flows from operating activities			
(Loss)/profit for the year		(14,958,763)	26,424,208
Adjustment for:			
(Loss)/gains on financial assets at fair value through profit or loss		14,648,062	(25,885,444)
Operating cash flows before movements in working capital		(310,701)	538,764
(Increase)/decrease in receivables	9	(42,739)	12,883
(Decrease)/increase in payable and accruals	10	(20,486)	18,694
Purchase of financial assets at fair value		(46,727,308)	(22,436,251)
Sale of financial assets at fair value		29,549,396	21,797,861
Net cash used in operating activities		(17,551,838)	(68,049)
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	11&12	18,625,600	2,456,300
Issue costs relating to issue of Ordinary Shares		(411,713)	(49,672)
Net cash generated from financing activities		18,213,887	2,406,628
Net increase in cash and cash equivalents		662,049	2,338,579
Net cash and cash equivalents at beginning of year		(429,722)	(2,768,301)
Cash and cash equivalents at end of year		232,327	(429,722)

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



Notes to the Financial Statements  
for the year ended 31st December 2011

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 QX 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 16,630,000 (2010: 2,420,000) new Ordinary shares at a value of £18,213,887 (2010: \$2,406,628) after issue costs. In addition the company issued 28,499,974 Subscription Shares. For further details see note 11.

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 2011.

The list below shows the IFRSs, IFRICs and amendments that are mandatory for the first time for 31 December 2011 year ends.

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Improvements to IFRSs (2010)
- IFRS 3 Business Combinations – Improvements to IFRSs (2010)
- IFRS 7 Financial Instruments: Disclosures – Improvements to IFRSs (2010)
- IAS 1 Presentation of Financial Statements – Improvements to IFRSs (2010)
- IAS 24 (Revised) Related Party Disclosures

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

2. Principal accounting policies (continued)

Adoption of new and revised Standards (continued)

- Consequential Amendments from IAS 27 Consolidated and Separate Financial Statements to IAS 21, IAS 28 and IAS 31
- IAS 32 Classification of Rights Issues (Amendment)
- IAS 34 Interim Financial Reporting – Improvements to IFRSs (2010)
- IFRIC 13 Customer Loyalty Programmes – Improvements to IFRSs (2010)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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:-

- IAS 1 (amended), "Presentation of Financial Statements" (effective for periods commencing on or after 1 July 2012);
- IAS 19 (amended), "Employee Benefits" (effective for periods commencing on or after 1 January 2013);
- IAS 28 (amended), "Investments in Associates" (effective for periods commencing on or after 1 January 2013);
- IAS 27 (amended), "Consolidated and Separate Financial Statements" (effective for periods commencing on or after 1 January 2013);
- IAS 12 (amended), "Income Taxes" (effective for periods commencing on or after 1 January 2012);
- IFRS 7 (amended), "Financial Instruments: Disclosures" (effective for periods commencing on or after 1 July 2011);
- IFRS 11, "Joint arrangements" (effective for periods commencing on or after 1 January 2013);
- IFRS 9, "Financial Instruments - Classification and Measurement"

- (effective for periods commencing on or after 1 January 2013);
- IFRS 12, "Disclosures of interests in other entities" - (effective for periods commencing on or after 1 January 2013);
  - IFRS 13, "Fair Value Measurement" (effective for periods commencing on or after 1 January 2013);
  - IFRS 10, "Consolidated Financial Statements" (effective for periods commencing on or after 1 January 2013);

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

2. Principal Accounting Policies (Continued)

Basis of Preparation

The Financial Statements are presented in Sterling which is also the functional currency of the Company as the majority of operating 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.

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.

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.

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

2. Principal Accounting Policies (Continued)

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 transactions 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 2011

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 £411,713 (31 December 2010: £49,672). 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 and therefore the disclosure of customers geographically required under IFRS 8 is not applicable. However, for additional information, the total fair value of the geographical base 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 2011

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.

Directors Fees

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 £16,000 per annum (2010: £12,000). During the year ended 31 December 2011, directors’ fees of £48,000 were charged to the Company (31 December 2010: £36,000) and £3,074 was payable at the year end (31 December 2010: £3,074). All Directors are non-executive.

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 but continued to trade as New City Investment . 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 2011 investment management fees of £763,674 were charged to the Company (31 December 2010: £470,835) and £68,848 was payable at the year end (31 December 2010: £65,630).

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 2011 no performance fees had accrued to the Investment Manager (31 December 2010: £nil).

Administrator

The Company’s administrator is 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. During the year ended 31 December 2011 administration fees of £55,000 were charged to the Company (31 December 2010: £55,000) and £4,673 was payable at the period end (31 December 2010: £4,671).

Custodian Fees

In the prior period the Company was accruing £15,000 per year for custodian services. After discussion it was agreed that the accrual was no longer needed as no fees had been charged in either period. The decision was taken to remove the accrual and write it back to the Statement of Comprehensive Income in this period.

6. Basic and diluted earnings per ordinary share

Basic earnings per Ordinary Share is calculated by dividing the comprehensive loss for the year of £14,958,763 (31 December 2010: gain of £26,424,208) by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of ordinary shares is 43,377,068 (31 December 2010: 38,241,726). The 28,499,974 subscription shares are non dilutive.

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

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 £	31.12.11 % of net assets attributable to shareholders
Financial assets designated as at fair value through profit or loss		
Listed equity securities	54,789,738	99.31
Listed debt securities	181,285	0.33
	£54,971,023	99.64
Financial instruments designated as cash and cash equivalents and receivables		
Cash and cash equivalents	1,370,599	2.48
Receivables	51,027	0.09
	£1,421,626	2.57
Financial instruments designated as current liabilities		
Payables and accruals	(85,565)	(0.16)
Bank overdraft	(1,138,272)	(2.05)
	(£1,223,837)	(2.21)
Net losses on financial assets at fair value through profit or loss:		01.01.11 to 31.12.11 £
Realised gains on financial assets designated as at fair value through profit or loss		7,413,663
Net unrealised losses on financial assets designated as at fair value through profit or loss		(22,061,725)
Net losses on financial assets at fair value through profit or loss		(£14,648,062)

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

7. Financial Instruments (Continued)

	Fair Value £	31.12.2010 % of net assets attributable to shareholders
Financial assets designated as at fair value through profit or loss		
Listed equity securities	52,182,158	100.52
Listed debt securities	240,525	0.46
	£52,422,683	100.98
Financial instruments designated as cash and cash equivalents and receivables		
Cash and cash equivalents	842,235	1.62
Receivables	26,778	0.05
	£869,013	1.67
Financial instruments designated as current liabilities		
Payables and accruals	(106,051)	(0.20)
Bank overdraft	(1,271,957)	(2.45)
	(£1,378,008)	(2.65)
Net gains on financial assets at fair value through profit or loss:		01.01.10 to 31.12.10 £
Realised losses 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
Net gains on financial assets at fair value through profit or loss		£25,885,444

8. Cash and Cash Equivalents

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

	31.12.2011 £	31.12.2010 £
Cash at bank	1,370,599	842,235
Bank overdraft	(1,138,272)	(1,271,957)
	£232,327	(£429,722)

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 2011

9. Receivables

	31.12.2011 £	31.12.2010 £
Dividend income receivable	41,586	-
Bond interest receivable	4,517	5,897
Sales of investments awaiting settlement	-	18,490
General expenses prepaid	4,924	2,391
	£51,027	£26,778

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

10. Payables and Accruals

	31.12.2011 £	31.12.2010 £
Administration fee payable (Note 5)	4,673	4,671
Directors’ fees payable (Note 5)	74	3,074
Investment management fee payable (Note 5)	68,848	65,630
Other accruals	-	5,675
Audit fee payable	11,970	12,001
Custodian fee payable (Note 5)	-	15,000
	£85,565	£106,051

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 2011

11. Share Capital

Authorised Share Capital	£
200,000,000 Ordinary share of £0.001 par value	£200,000
28,499,974 Subscription shares of no par value	£-

Issued and Fully Paid Share Capital	No. of Shares		Share capital	
	2011	2010	2011 £	2010 £
Equity Shares				
Ordinary Shares of £0.001 each at inception				
As at 1 January	40,370,000	37,950,000	40,370	37,950
Issued during the year	16,630,000	2,420,000	16,630	2,420
As at 31 December	57,000,000	40,370,000	57,000	40,370

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.

Subsequent to the additional placing on 31 October 2011the Company issued subscription shares for nil consideration to all registered shareholders, by way of the Bonus Issue, on the basis of one Subscription Share for every two existing ordinary shares held on the 31 October 2011. No fractions of Subscription shares were issued so the actual number issued was 28,499,974. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary Share at a Subscription price of 130p per Ordinary Share. The Subscription Rights may be excercised quarterly on the last business day in August, November, February or May from May 2012 to November 2014, after which time the Subscription rights will lapse.



Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

12. Reserves

	01.01.2011 £	Movement £	31.12.2011 £
Distributable reserve	25,796,070	18,197,257	43,993,327
Realised capital reserve	(1,832,025)	7,413,663	5,581,638
Capital reserve	29,390,823	(22,061,725)	7,329,098
Comprehensive loss for the year	(1,481,550)	(310,701)	(1,792,251)
	£51,873,318	£3,238,494	£55,111,812
	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

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 2011

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.

Credit Suisse Securities (Europe) Limited as Custodian has a fixed charge on all cash held by Credit Suisse and all Assets in return for services provided including execution of transactions, custody of investments and cash and financing. Credit Suisse Securities (Europe) Limited has a Standard and Poor’s Rating of A+/A-1.

As at 31 December 2011 there were no debt instruments past due (31 December 2010: 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:

	31.12.2011 £	31.12.2010 £
Cash and cash equivalents:		
Credit Suisse Securities (Europe) Limited	1,370,599	842,235
Receivables	46,103	24,387
Total assets at credit risk	£1,416,702	£866,622



Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

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 £	31.12.11 Total £
<b>Gross settled</b>					
Borrowings	-	-	-	-	-
Bank overdraft	-	1,138,272	-	-	1,138,272
Bank overdraft interest	-	-	-	-	-
Performance fee accrual	-	-	-	-	-
Investment management fee payable	68,848	-	-	-	68,848
Administration fee payable	4,673	-	-	-	4,673
Directors’ fees payable	74	-	-	-	74
Audit fee payable	-	-	11,970	-	11,970
Purchase of investments awaiting settlements	-	-	-	-	-
Other payables	-	-	-	-	-
	£73,595	£1,138,272	£11,970	£-	£1,223,837
	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

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 2011

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

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency 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 £2,748,551 (31 December 2010: £2,621,134) to a 5% increase or decrease in the market prices with other variables being held constant as at 31 December 2011. 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 is exposed to interest rate 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 2011 would have been £13,364 (31 December 2010: £142) 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 2011

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 2011 (31 December 2010: 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:

	31.12.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Australian Dollar (AUD)	17,722,256	(862,628)	12,632,745	-
Canadian Dollar (CAD)	30,387,268	(275,645)	36,342,445	(1,271,957)
United States Dollar (USD)	3,900,208	-	1,399,152	-
	52,009,732	(1,138,273)	50,374,342	(1,271,957)

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	31.12.2011
	£	£	USD
			£
Change in net assets in response to a 5% change in foreign currency rates	887,349 (802,840)	1,584,822 (1,433,887)	205,274 (185,724)
	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)

Notes to the Financial Statements (Continued)  
for the year ended 31st December 2011

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	31.12.2011
	£	£	£	Total
				£
Opening balance	52,422,683	-	-	52,422,683
Purchase	46,727,308	-	-	46,727,308
Sales	(29,530,906)	-	-	(29,530,906)
Net changes in Fair Value through profit or loss	(14,648,062)	-	-	(14,648,062)
Financial assets at fair value through profit or loss	54,971,023	-	-	54,971,023

	Level 1	Level 2	Level 3	31.12.2010
	£	£	£	Total
				£
Opening balance	25,580,306	340,587	-	25,920,893
Purchases	22,424,233	-	-	22,424,233
Sales	(21,467,300)	(340,587)	-	(21,807,887)
Net changes in Fair Value through profit or loss	25,885,444	-	-	25,885,444 )
Financial assets at fair value through profit or loss	52,422,683	-	-	52,422,683

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.

17. Significant Interests

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)	18.25%
Clients of the Bank of New York (Nominees) Limited	10.65%

18. NAV Reconciliation

Net Asset Value 31 December 2011	55,168,812
Number of shares in issue	57,000,000
Audited NAV per share	96.78p
Issued NAV per share	97.85p

The difference in NAV price per share relates to the pricing of the Portfolio valued at mid prices for valuation purposes and bid prices for accounting purposes under IFRS.

## Portfolio Statement

As at 31 December 2011

Description	Holding	Fair Value £	% of Total Net Assets
<b>Equities</b>			
Australia			
Aziana Lt	1,000,000	99,182	0.18%
Ausgold Ltd	2,250,000	1,338,955	2.43%
Cobar Consolidated Resources	1,250,000	425,656	0.77%
Endeavour Mining	855,000	1,345,501	2.44%
Gryphon Minerals Ltd	1,000,000	750,476	1.36%
Integra Mining Lt	5,000,000	1,735,683	3.15%
Mineral Deposits Ltd	450,000	1,487,728	2.70%
Newcrest Mining Ltd	100,000	1,957,189	3.55%
Perseus Mining Ltd	500,000	786,843	1.43%
Ramellus Resources Ltd	2,270,111	1,591,087	2.88%
Regis Resources Ltd1,	200,000	2,681,878	4.86%
Renaissance Minerals Ltd	934,597	98,875	0.18%
Resolute Mining Ltd	2,250,000	2,424,997	4.40%
Rift Valley Resource	3,107,332	184,915	0.34%
Troy Resources	300,000	813,291	1.47%
		17,722,256	32.14%
<b>Canada</b>			
Eagle Hill Exploration Corp	2,400,000	197,812	0.36%
First Majestic Silver Corp	275,000	2,981,449	5.40%
Gran Columbia Gold	375,000	36,852	0.07%
Great Panther Silver Ltd	150,000	188,382	0.34%
Huldra Silver	400,000	245,997	0.45%
IAMGOLD Corp	250,000	2,553,490	4.63%
Kinross Gold Corp	13,750	12,030	0.02%
Perseus Mining Ltd	750,000	1,198,286	2.17%
PMI Gold Corp	1,000,000	570,612	1.03%
Queenston Mining Inc	250,000	767,157	1.39%
Romarco Minerals Inc	500,000	332,857	0.60%
Semafo Inc	475,000	1,984,621	3.60%
Fortuna Silver Mines Inc	400,000	1,410,046	2.56%
Silver Wheaton Corp	260,000	4,862,885	8.80%
Alamos Gold inc	150,000	1,657,629	3.00%
Extorre Gold Mines	250,000	1,193,582	2.16%
Rockridge Capital Corp	2,300,000	488,507	0.89%
Scorpio Mining Corp	1,250,000	1,553,334	2.82%
Tahoe Resources Inc	110,000	1,221,174	2.21%
Telegraph Gold	800,000	253,605	0.46%
Timmins Gold Corp	1,100,000	1,352,985	2.45%
Yamana Gold Inc	325,000	3,084,635	5.59%
Other holdings		476	0.00%
		28,148,403	51.00%

## Portfolio Statement (Continued)

As at 31 December 2011

Equities	Holding	Fair Value £	% of Total Net Assets
<b>United Kingdom</b>			
Africa Mining and Exploration	2,500,000	125,000	0.23%
Fresnillo Plc	165,000	2,508,000	4.55%
Sovereign Mines of Africa	5,000,000	325,000	0.59%
Other holdings		10,625	0.02%
		2,968,625	5.39%
<b>United States</b>			
Gold Bullion Securities Ltd			0.00%
Royal Canadian Mint	51,800	595,997	1.08%
SPDR Gold Trust	30,000	2,939,474	5.32%
ZKB Gold	175,000	176,118	0.32%
		3,711,589	6.72%
<b>Total Equities</b>		52,550,873	95.25%
<b>Warrants</b>			
Ausgold EQW31-Mar-13	5,000,000	2,231,592	4.05%
Aziana Ltd CW13	500,000	7,273	0.01%
<b>Total warrants</b>		2,238,865	4.06%
<b>Bond</b>			
<b>United States</b>			
Atna Resources Ltd 10% 31 Dec 2013	281,250	181,285	0.33%
		181,285	0.33%
<b>Total investments</b>		54,971,023	99.64%
Other current assets less current liabilities		197,789	0.36%
<b>Total Net Assets</b>		£55,168,812	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 Fifth 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 Thursday 7 June 2012 at 11:00 a.m. (UK Time) to transact the business set out in the Resolutions below. Resolutions 1 to 6 (inclusive) will be proposed as Ordinary Resolutions.

### ORDINARY RESOLUTIONS

1.

To receive the Company’s Annual Report and Audited Financial Statements for the year ended 31 December 2011.

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 John Bowles as a Director of the Company, having been appointed since the last Annual General Meeting, in accordance with Article 19.3 of the Articles of Association of the Company.

5.

To re-elect Mr Paul Craig as a Director of the Company, having been appointed since the last Annual General Meeting, in accordance with Article 19.3 of the Articles of Association of the Company.

6.

To authorise the Company, 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. Such authorisation is to be conditional upon the Ordinary Shares of the Company continuing to be traded, and with the exception of a tender offer being made to all holders of Ordinary Shares:-
- 6.1.

the maximum number of Shares hereby authorised to be purchased shall be less than 15% of the Company’s issued share capital;

6.2.

the minimum price (exclusive of expenses) which may be paid for the Shares to be £0.01 per Share;

6.3.

the maximum price (exclusive of expenses) payable by the Company for the Shares will be 5% above the average of the middle market quotations taken from the London Stock Exchange Daily Official List on each of the five business days before the purchase is made;

6.4.

the authority (unless previously renewed or revoked) will expire at the end of the annual general meeting of the Company to be held in 2013, the latest date being fifteen months from the date of passing of these resolutions;

6.5.

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,

6.6.

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 Companies (Financial Assistance for Acquisition of own Shares) Ordinance, 1998.

### BY ORDER OF THE BOARD

11 New Street  
St Peter Port  
Guernsey  
GY1 2PF

April 2012

- 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 5:00 p.m. on 6 June 2012. 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 FIFTH ANNUAL GENERAL MEETING OF GOLDEN PROSPECT PRECIOUS METALS LIMITED (THE “COMPANY”) TO BE HELD ON THURSDAY 7th JUNE 2012 AT 11AM

I/We (BLOCK CAPITALS PLEASE) \_\_\_\_\_  
of \_\_\_\_\_ (address)  
\_\_\_\_\_ (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 Fifth Annual General Meeting of the Company to be held at Legis House, 11 New Street, St Peter Port, Guernsey on Thursday 7 June 2012 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 2011.			
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 John Bowles as a Director of the Company, having been appointed since the last Annual General Meeting, in accordance with Article 19.3 of the Articles of Association of the Company.			
5.	To re-elect Mr Paul Craig as a Director of the Company, having been appointed since the last Annual General Meeting, in accordance with Article 19.3 of the Articles of Association of the Company.			
6.	To authorise the Company, 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. Such authorisation is to be conditional upon the Ordinary Shares of the Company continuing to be traded, and with the exception of a tender offer being made to all holders of Ordinary Shares:-			
6.1	the maximum number of Shares hereby authorised to be purchased shall be less than 15% of the Company’s issued share capital;			
6.2	the minimum price (exclusive of expenses) which may be paid for the Shares to be £0.01 per Share;			
6.3	the maximum price (exclusive of expenses) payable by the Company for the Shares will be 5% above the average of the middle market quotations taken from the London Stock Exchange Daily Official List on each of the five business days before the purchase is made;			
6.4	the authority (unless previously renewed or revoked) will expire at the end of the annual general meeting of the Company to be held in 2013, the latest date being fifteen months from the date of passing of these resolutions;			
6.5	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,			
6.6	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 Companies (Financial Assistance for Acquisition of own Shares) Ordinance, 1998.			

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 \_\_\_\_\_ 2012

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  
Kaare Glenne Foy  
Robert Paul King  
John Bowles (appointed 3.1.12)  
Paul Craig (appointed 3.1.12)  
all of  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

## Secretary, Administrator and CISX Sponsor

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

## Investment Manager

### CQS Cayman Limited Partnership

P.O. Box 242  
45 Market Street  
Gardenia  
Camana Bay  
Grand Cayman KY1-1104  
Cayman Islands

### New City Investment Managers

(a trading name of CQS Asset Management Limited)  
5th Floor  
33 Chester Street  
London  
SW1X 7BL

Note: The Company has appointed CQS as its investment manager. However, CQS has, with the agreement of the Board, delegated that function to NCIM.

## Auditors

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

## Financial Advisors

Singer Capital Markets Limited  
One Hanover Street  
London W1S 1YZ

## Solicitors to the company as to English Law

Lawrence Graham LLP  
4 More London Riverside  
London  
SE1 2AU

## Advocates to the Company as to Guernsey Law

Babbé  
18-20 Smith Street  
St Peter Port  
Guernsey  
GY1 4BL

## Registrar and CREST Agent

Capita Registrars (Guernsey) Limited  
Mont Crevely House  
Bulwer Avenue  
St. Sampson  
Guernsey  
GY2 4LH

## Market Makers

Singer Capital Markets  
1 Hanover Street  
London W1S 1AX

Winterflood Securities  
25 Dowgate Hill  
London EC4R 2GA

## Custodian and Principal Bankers

Credit Suisse Securities (Europe) Limited  
One Cabot Square  
London  
E14 4QJ

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**

11 New Street  
St. Peter Port  
Guernsey, GY1 2PF  
Channel Islands

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