Grafton Resource Investments Ltd.
(a Cayman Islands exempted limited liability company)
INTERIM FINANCIAL STATEMENTS
(Unaudited)

For the six months period ended June 30, 2009

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COMPANY INFORMATION

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David Hutchins
Gordan Mattison*

** Independent, non-executive directors*

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COMPANY SUMMARY

Investment Objective and Policy

The investment objective of the Fund is to achieve capital gains in the medium term from investments in the natural resource sector. The Fund seeks to achieve its investment objective by investing primarily in quoted and unquoted companies in the natural resource sector and the energy sector, which represents the area of core competence of the Investment Manager. The Fund may investment in unquoted entities within these sectors, where the Investment Manager expects the company to achieve a listing or other realisation within two years.

Incorporation and Organisation

Grafton Resource Investments Ltd. (the "Fund") was incorporated under the laws of the Cayman Islands on January 3, 2007, as an exempted, limited liability investment company.

The registered office of the Fund is at the offices of dms Corporate Services Limited, P.O. Box 1344, dms House, 20 Genesis Close, Grand Cayman KY1-108, Cayman Islands.

The Fund had no employees for the period ended June 30, 2009.

There is currently one share class being offered to investors, which is denominated in U.S. Dollar ("US$").

The Fund will operate for a period of 5 years following the close of the initial offering period which took place on October 31, 2008. Thereafter the shareholders may resolve, by ordinary resolution, to operate the Fund for a further 1 year period or, by special resolution, to place the Fund into voluntary liquidation.

The Fund commenced operations on October 31, 2008.

Investment Manager and Advisor

Overall responsibility for the management of the Fund's assets lies with Newland Fund Management LP.

Total Net Assets

As at June 30, 2009, total net assets in accordance with International Financial Reporting Standards ("IFRS") is US$80,833,683. The Net Asset Value per share based on IFRS as at June 30, 2009 was US$41.81.

Dividend Policy

The Directors do not anticipate that any dividends or other distributions are paid to holders of shares out of the Fund's earnings and profits. However in the case that the investments held commence to pay dividends to the Fund, the Directors will consider the payment of dividends to the shareholders.

No dividends or other distributions were paid or are payable for the current period.

CHAIRMAN'S STATEMENT

Grafton Resources Investments Limited ("the Fund") first Interim Report is written against a background of generally improving market conditions as investor interest and sentiment towards the natural resources sector has been aided by a recovery in the prices of most traded commodities. Consequently, this has helped the Fund's net asset value ("NAV") show a small increase over the six month period.

The performance of the Fund is covered in greater detail in the Investment Manager's report, but two significant developments during the past six months that I would like to draw to shareholders attention are the growth in assets through new subscriptions and the Irish Stock Exchange listing.

Grafton's total net assets as at December 31, 2008 were US$17.8 million while as at 30 June 2009 they had grown to US$80.8 million, primarily through the issue of just over 1.4 million new participating shares, issued at various month end net asset values.

It is also very pleasing to be able to report that on July 6, 2009, Grafton was approved for admission to the Official List of the Irish Stock Exchange.

Given the high proportion of unlisted investments within the Fund's portfolio, there is no doubt that Grafton's future success is highly dependant on the successful realisation of those investments, which are currently valued at their original acquisition cost. As is mentioned in the Financial Statements, these unquoted investments are valued by the Investment Manger in accordance with the International Venture Capital Association Guidelines.

From the Investment Manager's report, it appears the manager's are making good progress to a more transparent valuation, through a stock exchange listing, for at least two of the Fund's larger holdings, Madagascar Oil and Compostela Mining and such developments will be very positive for the Fund.

Peter Seabrook
Chairman
August 25, 2009

INVESTMENT MANAGER'S REPORT

The six months under review has seen a major improvement in the commodity markets and the world equity markets. This has helped Grafton Resource Investments Limited's ("Grafton") net asset value ("NAV") show a small improvement from US$37.66 to US$40.82 (+8.4%). By any measure, this performance is disappointing although can be explained by the high level of unquoted investments that we hold in the portfolio. At the date of this report, these unquoted investments remain valued at their initial acquisition cost, and in the absence of a realisation or listing within the course of the year, the carry value of all the unquoted investments will be formally reviewed, in line with the International Venture Capital Association Guidelines, by the directors at the Fund's year end.

As has already mentioned in Chairman's Statement, over the past six months, Grafton's net assets have increased significantly, from US$17.8 million at 31 December 2008 to US$80.8 million at 30 June 2009 and as a consequence, the Fund has acquired a number of new investments, of both listed and unlisted securities. A brief summary of the largest five holdings follows while the commodity breakdown as at 30 June 2009 is:

Precious Metals	38.5%
Water & Timber	25.7%
Energy	18.8%
Base Metals	12.2%
Other	4.8%

With regard to the unquoted investments, in most case we are in direct contact with those companies and discussing with them the concept and benefits of commencing the listing process. Canada Gold has recently announced a merger transaction with a listed Canadian company, while Compostela Mining is also in advanced discussions to raise additional working capital and to list through an initial public offer or reverse takeover, a process that should be concluded within the next quarter.

We have also been instrumental in helping the board of Madagascar Oil raise US$5 million of new working capital and are also discussing with them the idea of a stock exchange listing, which would give Grafton a clear and transparent valuation basis for its significant investment in this exciting oil company.

During the six months we have also continued our policy of selling the smaller non-strategic investments as and when market conditions allow. The portfolio currently has just over fifty holdings and we would expect that to reduce further over the coming months. The five largest investments currently represent 63.1% of the portfolio while the top ten investments represent 81.1% of the portfolio. With almost half the portfolio in unquoted investments, one of our prime objectives for the coming months is working with these companies to achieve a listing or more transparent valuation basis and this happens, we believe that it will be particularly beneficial top the Fund's NAV.

On the 6 July 2009, Grafton was approved for admission to the Official List of the Irish Stock Exchange and having achieved the listing it is now our objective to build and develop greater interest and liquidity in the Fund.

We look forward to reporting to shareholders again at the year end when we hope to be able to report significant positive developments related to a number of the unquoted investments.

INVESTMENT MANAGER'S REPORT (continued)

TOP 5 HOLDINGS

Hidrostroy-Bourgas Ltd - Grafton holds a 50% stake in this company which is a water supply dam to feed the southern Black Sea coastal region in and around the city of Bourgas, the third largest city in Bulgaria. Currently a significant number of development activities which require water have been held in abeyance by the Government pending delivery of substantially increased supply capacity. This is in turn hampering development of Bulgaria's economy which has tourism, especially in this region, as a primary constituent of its growth. Consequently, the Government is supportive of the completion of the Ingzhe Voyvoda dam. A discounted cash flow valuation of the project has been estimated to be €37.5 million and its Future Value being €50.1 resulting from the cash flows from the sale of the supplies of water and electricity (from the hydroelectric element of the dam's installation).

Madagascar Oil - Madagascar Oil was established in 2004 to develop heavy and ultra heavy oil fields of Madagascar and explore prospective onshore regions for conventional oil and gas. The company has spent over $200m on exploration and development of its sites, and has paid off all its debts since farming out 60% of its Bemolanga field out to French oil major TOTAL for $100m. Since 2004, the Group has held the leading onshore acreage and resource in Madagascar, with 100% interest in six onshore Production Sharing Contracts (PSC's). Together, these interests cover approximately 54km^2 onshore Madagascar. The company has interests in two main fields, Bemolanga and Tsimiroro. Bemolanga is a large oil sands field containing estimated potential reserves of 16.6bn barrels of bitumen, with approximately 2.5bn barrels of recoverable reserves. The best estimate for the Tsimiroro field's reserves (oil in place), is 3bn barrels.

Canada Gold Corporation - Canada Gold Corporation will design, build, own and operate, a gold toll processing plant in Peru. Toll Processing allows for rapid entry into production and positive cash flow without exploration and/or mining risk and with reduced permitting risk. Canada Gold, as the toll processor, purchases the ore at the plant gate based on measured tons and assayed gold grade. The plant will be located near 6,500 small scale miners currently producing approximately 3,000 tons per day of high grade gold ore from near surface epithermal vein systems in northern Peru. Currently there are no significant ore processing facilities in the region.

Phoenix Lumber – The Company was established in March 2008 with the objective of obtaining rights from local communities to extract and sell lumber from material portions of the forestry areas destroyed by Hurricane Felix. Overall an area of 15,000ha has been signed to date, and this contains 501,200 m3 of extractable lumber, representing over 112 million board feet of lumber. A sales agreement contract for the supply of 45 million board feet (40% of total wood production) at US$1.55 per board foot to CFIEL S.A. has been executed.

South American Ferro Metals - South American Ferro Metals is a BVI-registered company formed in 2007 as a vehicle for investigating and investing into the Ponte Verde iron ore property located within the heart of the Iron Ore Quadrilateral, some 40 kilometres from the town of Belo Horizonte in Minas Gerais State, Southern Brazil. The Ponte Verde property has been drilled with the geology well understood, and contains an estimated resource of more than 70 Million tonnes of Itabirite / Hematite. A drilling programme has been carried out, the results of which are expected to increase the above resource estimate and declare it as NI 43-101 compliant. Initial operations are targeted to commence in early 2010 at a rate of c 1.5 Mtpa, pending an improvement the market.

David Hutchins
Newland Fund Management LLP
August 27, 2009

DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The investment objective of the Fund is to achieve capital gains in the medium term from investments in the natural resource sector. The Fund seeks to achieve its investment objective by investing primarily in quoted and unquoted companies in the natural resource sector and the energy sector, which represents the area of core competence of the Investment Manager. The Fund may investment in unquoted entities within these sectors, where the Investment Manager expects the company to achieve a listing or other realisation within two years.

The key risks faced by the Fund include the following:

(i) an inappropriate investment strategy could result in poor returns for shareholders and a widening of the discount of the share price to the NAV per share;

(ii) loss by the Manager of key staff could affect investment returns;

(iii) failure to comply with regulations could result in the Fund losing its listing and

(iv) inadequate financial controls could result in misappropriation of assets, loss of income and debtor receipts and mis-reporting of the NAV per share.

Further information on these risks, together with the Fund's approach to controlling them, were included in the Fund's annual report to December 31, 2008 and will be updated in the Fund's annual report to December 31, 2009.

DIRECTORS' STATEMENT OF RESPONSIBILITIES

As required under the Transparency Directive, to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and return of the Fund.

The Interim Management Report includes a fair review of:

- Important events that have occurred during the first six months of the year;
- The impact of those events on the condensed financial statements;
- A description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Details of any material related party transactions.

On behalf of the Board of Directors

Peter Seabrook
Chairman
August 27, 2009

BALANCE SHEET AS AT JUNE 30, 2009

	Notes	30 June 2009 (Unaudited) US$'000	December 31, 2008 (Audited) US$'000
Non-current assets			
Financial assets at fair value through profit or loss	7	82,158	19,264
Total non-current assets		**82,158**	**19,264**
Current assets			
Cash and cash equivalents		35	236
Amounts due from broker		275	294
Amounts receivable under loan agreements		1,250	500
Other assets		226	-
Total current assets		**1,786**	**1,030**
Total assets		**83,944**	**20,294**
Current liabilities			
Amounts due to brokers		-	(207)
Investment management fees payable		(98)	(95)
Trade and other payables		(62)	(99)
Total current liabilities		**(160)**	**(401)**
Non-current liabilities			
Convertible unsecured loan stock	5	(2,952)	(2,043)
Total non-current liabilities		**(2,952)**	**(2,043)**
Total liabilities		**(3,112)**	**(2,444)**
Net assets	9	**80,832**	**17,850**
Represented by:			
Equity capital and reserves attributable to equity holders			
Share capital	4	19	4
Share premium	4	96,979	39,138
Convertible unsecured loan stock	5	2,048	1,357
Share warrants	4	1,226	1,226
Retained earnings	4	(19,440)	(23,875)
Total equity		**80,832**	**17,850**
Number of shares issued	7	1,933,340	443,859
Net Asset Value per Share-based upon IFRS	2(f)	41.81	40.22
Net Asset Value per Share- excluding IFRS effects	2(g), 9	40.82	37.66

The diluted Net Asset Value per Share on both bases is not materially different from that detailed above.

On behalf of the Board of Directors:

Gordan Mattison
Director
Date: August 27, 2009

Richard Harrison
Director

INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2009

	Notes	30 June 2009 (Unaudited) US$'000	December 31, 2008 (Audited) US$'000
Income			
Dividend income	2	36	-
Net gain/(loss) on financial assets at fair value through profit or loss		5,354	(23,470)
Net loss on foreign exchange		(27)	(2)
Total investment loss		**5,363**	**(23,472)**
Expenses			
Investment mangement fees		(335)	(95)
Administration fees		(60)	(27)
Commissions		(200)	-
Registrar fees		(7)	(3)
Directors' fees		(4)	(1)
Organisational expenses		-	(209)
Other expenses		(85)	(67)
Total operating expenses		**(691)**	**(402)**
Net income/(expense) before finance costs		**4,672**	**(23,874)**
Finance costs			
Interest expense		(237)	(1)
Total finance costs		**(237)**	**(1)**
Profit/(loss) before tax		**4,435**	**(23,875)**
Withholding taxes		-	-
Profit/(loss) for the period		**4,435**	**(23,875)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE JUNE 30, 2009

	Share capital US$'000	Share premium US$'000	Convertible unsecured loan stock US$'000	Share warrants US$'000	Retained earnings US$'000	Total US$'000
At beginning of the period	4	39,138	1,357	1,226	(23,875)	17,850
Proceeds from issue of shares	14	60,614	-	-	-	60,628
Commission on shares issued	1	(2,773)	-	-	-	(2,772)
Equity component of convertible unsecured						-
loan stock issued	-	-	691	-	-	691
Profit for the period	-	-	-	-	4,435	4,435
At June 30, 2009	**19**	**96,979**	**2,048**	**1,226**	**(19,440)**	**80,832**

CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2008

	30 June 2009 (Unaudited) US$'000	December 31, 2008 (Audited) US$'000
Operating Activities		
Profit/(loss) for the period	4,435	(23,875)
Adjustment for realised losses on financial assets at fair value through	2,622	4,309
Adjustment for net movement in unrealised gains/(losses) on financial assets at fair value through profit or loss	(7,976)	19,161
Net operating cash flows before changes in operating assets and liabilities	**(919)**	**(405)**
Purchase of financial assets	(3,640)	(4,104)
Proceeds from sale of financial assets	3,956	1,738
Decrease/(increase) in amounts due from brokers	19	(294)
Increase in amounts receivable under loan agreements	(750)	(500)
Increase in other assets	(226)	-
Increase in investment management fees payable	3	95
Decrease/(increase) in trade and other payables	(37)	99
Decrease/(increase) in amounts due to broker	(207)	207
Changes in operating assets and liabilities	**(882)**	**(2,759)**
Cash flows from operating activities	**(1,801)**	**(3,164)**
Financing activities		
Proceeds from issue of convertible unsecured loan stock	1,600	3,400
Cash flows from financing activities	**1,600**	**3,400**
Net (decrease)/increase in cash and cash equivalents for the period	(201)	236
Cash and cash equivalents at beginning of period	236	-
Cash and cash equivalents at end of period	**35**	**236**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). All accounting policies adopted for the period are consistent with International Financial Reporting Standards ("IFRS") issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. All accounting policies are consistent with those adopted in the audited financial statements for the period ended December 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Fund is as follows:

(a) Financial Assets designated as fair value through profit or loss

The Fund has designated all its investments at fair value through profit or loss.

In accordance with the Fund's Offering Memorandum, the fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices (bid prices) in the calculation of the published valuation.

Private equity investments, for which market quotations are not readily available, are valued by the Investment Manager at their fair value using methods which are in accordance with recognized accounting and financial principles and which have been approved by the Directors and in accordance with the International Venture Capital Association Guidelines.

Gains and losses arising from changes in fair value of financial assets are shown as net gains or losses on financial assets through profit or loss and recognised in the Income Statement in the period in which they arise.

The Fund applies the "First-In-First-Out" method to determine realised gains and losses on derecognition.

Fair value of unlisted investments and compound financial instruments

The Fund holds financial instruments that are not quoted in active markets, such private equity investments. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by the Investment Manager under principals approved by the Directors and in accordance with appropriate guidelines.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Financial assets at fair value through profit and loss of US$82,157,919 include unlisted investments of US$58,908,805.

In addition, the Fund has issued certain compound financial instruments, which due to the convertibility of the instruments into share capital, comprise both a debt component and equity component as described in note 4. The Fund uses Black-Scholes valuation models to value these compound financial instruments.

(c) Income and Expenses

Income and expenses are accounted for on an accruals basis.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances held with the Company's brokers. Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant changes in value.

(e) Foreign Currency Translation

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(f) Net Asset Value per share

The Net Asset Value per share disclosed on the face of the Balance Sheet is calculated in accordance with the Company's Offering Memorandum by dividing net assets included in the Balance Sheet by the number of participating shares outstanding as at June 30, 2009. The Net Asset Value is computed using two bases – including the effects of International Financial Reporting Standards ("IFRS") on attributing an equity element to the convertible unsecured loan notes and on the amortisation of start up costs and excluding such effects.

(g) Diluted Net Asset Value per share

The diluted net asset value is the Net Asset Value adjusted for the prospective dilution arising from the exercise of Warrants and/or the conversion of Loan Stock and is presented where such fully diluted net asset value is materially lower than the Net Asset Value and is calculated in accordance with IFRS reporting requirements.

3. TAXATION

There are no taxes on income or gains in the Cayman Islands and the Fund has received an undertaking from the Governor-in-Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of twenty years. Accordingly, no provision for taxes is included in these financial statements. The Fund may, however, be subject to foreign withholding tax in respect of income derived from its investments.

Under current Cayman Islands law, no tax would be charged in the Cayman Islands on profits or gains of the Fund and dividends of the Fund would be payable to the shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of shares. An annual registration fee is payable by the Fund in Cayman Islands. Currently, the fee is approximately US$1,868 per annum. In addition, the Fund must pay a mutual fund registration fee of approximately US$3,409 per annum.

4. SHAREHOLDERS' INTERESTS AND RESERVES

The authorised share capital of the Fund is US$2,000,000 divided into 200,000,000 shares each with a par of US$0.01.

Ordinary Shares:

The Fund will operate for a period of 5 years following the close of the initial offering period on October 31, 2008. Thereafter the shareholders may resolve, by ordinary resolution, to operate the Fund for a further 1 year period or, by special resolution, to place the Fund into voluntary resolution.

There is currently one class of share being offered to investors. The initial issue price was US$100 per share. All monies received for subscription into shares during the period were received by way of an in-specie transfer of assets. The Fund may accept, at the discretion of the Investment Manager, subscriptions-in-kind of listed and unlisted securities (a 'Share Swap") as part of the subscription proceeds. All subscriptions received during the period ended June 30, 2009 were received as part of a share swap transaction. All assets received as part of in-specie transfer were valued by the Investment Manager on date of transfer. The shareholders have the right to receive notice of, attend at and vote at general meetings of the Fund, and on a poll shall have the right to one vote for each such share registered in his name. Upon a winding-up of the Fund the Loan Stock, in so far as still outstanding, shall be redeemed. Thereafter the balance shall then be paid to the holders of Shares pro rata on the Net Asset Value per Share.

Shares may not be redeemed by share holders.

A subscription commission of up to 5.0% may be paid by the Fund on subscriptions on a case by case basis. Such commission may be paid by the Fund to introducing parties at the discretion of the Directors. The Directors have determined that in respect of subscriptions, save for those in cash, during the Initial Offering Period, and on a case by case basis thereafter, any such subscription commission shall be paid in the form of Shares of the Fund. For the period ended June 30, 2009 68,948 commission shares were issued (year to December 31, 2008 25,318).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SHAREHOLDERS' INTERESTS AND RESERVES (continued)

Shares issued for the period ended June 30, 2009 were as follows:

	30 June 2009	30 June 2009
	Number	US$'000
Shares as at January 1, 2009	443,859	4
Shares subscribed	1,489,481	15
Shares as at June 30, 2009	1,933,340	19

Share Premium

The movements in share premium for the period ended June 30, 2009 were as follows:

	30 June 2009
	US$'000
Share premium as at January 1, 2009	39,138
Share premium from ordinary shares issued	60,614
Commission shares issued	(2,773)
Share premium as June 30, 2009	96,979

Warrants

The Fund issued the Warrants to subscribers for Shares where such subscription was by way of share swap for a portfolio of assets with a value in excess of US$5 million on the basis of one Warrant for every three Shares so subscribed under the relevant Subscription Agreement during the Initial Offering Period. No further issue of these Warrants will be made.

Warrant holders may subscribe any time for a Share of the Fund at US$110 per share for a two year period commencing at the closing of the Initial Offering Period, as defined in the Fund's Offering Memorandum.

Warrant holders have the right to receive the Fund's financial statements but not to attend or vote at any meetings of shareholders. Any variation of the right of the Warrants proposed by the Fund will require a general meeting of Warrant holders and the vote of 75% of those attending and voting where in person or by proxy.

Warrants issued for the period ended June 30, 2009 were as follows:

	30 June 2009	30 June 2009
	Number	US$'000
Warrants as at January 1, 2009	115,248	1,226
Warrants issued	-	-
Warrants as at June 30, 2009	115,248	1,226

The warrants were issued in conjunction with the issue of Shares and part of the consideration for the combined issue has been recognised as being for the warrants and a warrant reserve was established. The warrant reserve is computed using a Black-Scholes warrant valuation model. The Black-Scholes valuations were carried out using a volatility measure of 61% derived from the average market price volatilities of similar companies or funds whose shares and traded and prices published and a risk free interest rate of 3%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SHAREHOLDERS' INTERESTS AND RESERVES (continued)

Retained Earnings

The movements in retained earnings for the period ended June 30, 2009 were as follows:

	30 June 2009
	US$'000
Retained earnings at January 1, 2009	(23,875)
Profit for the period	4,435
Retained earnings at June 30, 2009	(19,440)

Capital risk management

The Fund's capital risk management objectives are:

- to ensure that the Fund will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity and debt.

The Board monitors and reviews the broad structure of the Fund's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Fund's capital is represented by the number of outstanding participating shares. The Fund strives to invest the subscriptions of shares in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet shareholder redemptions at the end of the five year period. The Fund does not have any external capital restrictions. At June 30, 2009 contributed capital amounted to US$98,225,193.

5. CONVERTIBLE UNSECURED LOAN STOCK

On December 22, 2008, the Fund issued US$3,400,000 of 12.75 per cent convertible unsecured loan stock ("Loan Stock") maturing in 2013, the redemption date being the fifth anniversary of the instruments. The Loan Stock carries the right to receive interest at 12.75 per cent per annum, paid semi-annually in arrears on June 30 and December 31 in each year whilst outstanding. The Loan Stock is convertible at any time at the holder's option into Shares at US$42.592 per share and the Loan Stock holders shall have the right to convert in priority to any redemption. A further US$1,600,000 of Loan Stock was issued during the period ended June 30, 2009.

The Fund has determined that the maximum Loan Stock that may be in issue from time to time shall be no more than 20% of the Gross Asset Value at the date of any income thereof, up to an aggregate maximum principal amount of US$50,000,000. The Loan Stock holders have the right to request the Fund to convene a meeting of Loan Stock holders upon the initial request of not less than 10% of the outstanding Loan Stock. Any change to the terms of the Loan Stock will require the convening of a meeting of Loan Stock holders and at such meeting a vote of not less than 75% of the Loan Stock Holders present or a unanimous written resolution of all the Loan Stock holders.

Applying IFRS the Loan Stock are deemed to be compound financial instruments that include a debt component as well as an equity element component due to their convertibility into ordinary share capital. The US$2,951,542 liability component of the US$5,000,000 Loan Stock was identified as at the dates the Loan Stock was issued based upon a Black-Scholes warrant valuation model and the balance of US$2,048,458 recognized as the equity component. The Black Scholes valuations were carried out using volatility measures derived from the average market price volatilities of similar companies or funds whose shares and traded and prices published and a risk free interest rate as at date of issue. In respect of the US$5,000,000 of Loan Stock in issue at June 30, 2009 the relevant volatility and risk free interest rates were;

Date	Amount US$'000	Volatility	Risk free rate
December 22, 2008	3,400	61%	3%
April 30,2009	1,600	63%	4%

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. CONVERTIBLE UNSECURED LOAN STOCK (continued)

Interest payable on the Loan Stock for the period ended June 30, 2009 amounted to US$235,507 and is in included in trade and other payables.

The movements in the convertible unsecured loan stock reserve for the period ended June 30, 2009 were as follows:

	30 June 2009
	US$'000
Convertible unsecured loan stock reserve at beginning of period	1,357
Equity valuation on convertible unsecured loan stock issued	691
Convertible unsecured loan stock reserve at end of period	2,048

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Investment Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of unlisted investments and compound financial instruments

The Fund holds financial instruments that are not quoted in active markets, such private equity investments. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by the Investment Manager under principals approved by the Directors and in accordance with appropriate guidelines as stated in note 2 (a).

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Financial assets at fair value through profit and loss of US$82,157,919 include unlisted investments of US$58,908,805.

In addition, the Fund has issued certain compound financial instruments, which due to the convertibility of the instruments into share capital, comprise both a debt component and equity component as described in note 5. The Fund uses Black-Scholes valuation models to value these compound financial instruments as detailed in notes 5.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2009
	US$'000
- Listed equity securities	23,249
- Unlisted equity securities	58,909
Total financial assets at fair value through profit or loss	82,158

8. DIRECTORS' INTERESTS AND RELATED PARTY DISCLOSURES

David Hutchins is an employee of Newland Fund Management LLP, the Investment Manager to the Fund. Investment Management Fees payable for the period ended June 30, 2009 were US$334,701 and the amount payable at period end was US$97,988.

None of the Directors have any interest in any contract of significance with the Fund, other than as disclosed in these financial statements.

As at June 30, 2009 the Fund holds 20,568,609 shares in Newland Resouces Limited which has a value of US$248,613.39. Newland Resources Limited is the ultimate parent company of Newland Fund Management LLP the Investment Manager to the Fund.

As at June 30, 2009 Newland Resouces Limited held 52,705 shares of the Fund. Newland Stockbrokers Limited, a related party entity to the Investment Manager and ultimate parent company, held 28,360 shares of the Fund as at June 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. RECONCILIATION OF NET ASSET VALUE

The published Net Asset Value ("NAV") per share class at which shareholders may subscriber or redeem from the Fund differs slightly from the net asset value in accordance with International Financial Reporting Standards in the financial statements. This difference is due to the treatment of the equity element of the convertible unsecured loan stock, the variation in valuation principles and appropriate adjustments that have been made to expense organisation costs in the period in which they are incurred. This has no impact on the ongoing valuation; calculation of NAV based fees or shareholder transactions of the Fund. The reconciliation of the net assets in accordance with IAS 32 and IAS 38 and in accordance with Offering Memorandum is set out below:-

	30 June 2009	
	US$'000	**US$**
Published Net Asset Value	78,929	40.82
Adjustment for equity element of convertible unsecured loan stock	2,048	1.06
Adjustment for audit fee underaccrual	-	0.00
Adjustment for impact of IAS 38	(145)	(0.07)
Net Asset Value per financial statements	**80,832**	**41.81**

10. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party of the Fund.

11. SUBSEQUENT EVENTS

There were no material significant events impacting the Fund subsequent to the period end of the Fund, which would have an effect on these Financial Statements.

On July 31, 2009 share swap transactions were contracted pursuant to which the Fund has agreed to issue 92,713 shares at the net asset value as at June 30, 2009 of US$40.82. In addition the Fund has agreed to issue a further tranche of US$2million Loan Stock, the terms of which are identical to the Loan Stock in issue at June 30, 2009 save that the conversion price is US$44.90 per share. The Fund has agreed to issue 7,085 shares by way of commission in respect of these transactions.

12. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved the financial statements and authorised for issue on August 27, 2009.

SCHEDULE OF INVESTMENTS

Shares '000's		Value US$'000	% of Net Asset Value
Common Stock			
Australia			
Basic Materials			
1,500	Indo Gold Ltd. *	375	0.46%
250	S.A. Metals Ltd	24	0.03%
10,000	Zedex Minerals Ltd.	588	0.73%
		987	1.22%
Diversified			
20,569	Newland Resources Ltd.	249	0.31%
Total Australia		**1,236**	**1.53%**
Canada			
Basic Materials			
333	49 North Resource Fund, Inc.	774	0.96%
3,200	Argosy Minerals, Inc.	80	0.10%
109,091	Arian Silver Corp.	6,096	7.54%
14,975	Axmin, Inc.	1,288	1.60%
8,293	Azteca Gold Corp.	2,995	3.70%
15,400	Canadian Ore Processors*	10,850	13.42%
406	Copper Ridge Explorations, Inc.	10	0.01%
1,988	Gryphon Gold Corp.	318	0.39%
1,250	Ivanhoe Nickel & Platinum*	1,367	1.69%
708	Kirrin Resources Inc	52	0.06%
13,158	Mediterranean Resources Ltd.	1,357	1.68%
2,495	Queensland Minerals Ltd.	129	0.16%
150	Reunion Gold Corp.	12	0.01%
2,333	Savant Explorations Ltd.	80	0.10%
9,661	Siberian Diamonds Ltd.*	764	0.95%
743	Staccato Gold Resources Ltd.	73	0.09%
6,298	Strategic Resource Acquisition Corp.	54	0.07%
2,900	True North Gems, Inc.	324	0.40%
335	Vismand Exploration*	419	0.52%
157	Western Standard Metals Ltd	17	0.02%
8,510	Zincore Metals, Inc.	549	0.68%
24,065	Zoloto Resources Ltd.*	621	0.77%
		28,229	34.92%
Consumer, Non-cyclical			
14,851	Ondine Biopharma Corp.	1,660	2.05%
Energy			
1,120	Exile Resources, Inc.	38	0.05%
18,000	KAL Energy, Inc.	468	0.58%
52	Pacific Energy Resources Ltd.*	0	–%
92	Pacific Rubiales Energy Cw12*	258	0.32%
		764	0.95%
Industrial			
5,000	E.S.I. Environmental Sensors	473	0.59%
Total Canada		**31,126**	**38.51%**
Great Britain			
Basic Materials			
15,100	Amur Minerals Corp.	783	0.97%
5,375	Compostella Mining Ltd.*	3,095	3.83%

SCHEDULE OF INVESTMENTS (continued)

Shares '000's		Value US$'000	% of Net Asset Value
Common Stock (continued)			
Basic Materials (continued)			
140,000	Condor Resources Ltd.	1,152	1.42%
261	Far North Platinum*	82	0.10%
6,760	Kola Gold*	2,780	3.44%
10,000	Pan African Resources PLC	864	1.07%
466	Resaca Exploitation Inc	192	0.24%
2,900	Van Dieman Mines PLC*	–	–%
		8,948	11.07%
Consumer, Cyclical			
15,000	ESV Group PLC	49	0.06%
105	Green Park Ventures*	–	–%
		49	0.06%
Energy			
10,000	Dominion Energy PLC	16	0.02%
1,083	Enegi Oil PLC	88	0.11%
1,000	Nusantara Energy PLC*	132	0.16%
		236	0.29%
Total Great Britain		**9,233**	**11.42%**
Bulgaria			
Consumer, Cyclical			
–	Hidrostroi - Burgas Ead*	14,029	17.35%
Total Netherlands		**14,029**	**17.35%**
Norway			
Energy			
49	Norwegian Energy Co A/S*	96	0.12%
Total Norway		**96**	**0.12%**
Russia			
Basic Materials			
11,189	Eurasia Mining PLC	184	0.23%
3,730	Eurasia Mining PLC Warrants*	–	–%
		184	0.23%
Total Russia		**184**	**0.23%**
United States			
Basic Materials			
1,000	Bridge Resources Warrants*	–	–%
1,000	Santa Barbara Resources*	250	0.31%
12,500	South American Ferro Metals*	5,000	6.19%
1,533	Uranium Resources, Inc.	1,901	2.35%
		7,151	8.85%
Consumer, Cyclical			
6,800	Phoenix Lumber Co.*	6,800	8.41%
Energy			
122,486	Madagascar Oil Ltd.*	12,249	15.15%
448	Pacific Energy A Warrants*	–	–%
90	Pacific Energy B Warrants*	–	–%
1,415	Rancher Energy Corp.	54	0.07%
1,333	Rancher Energy Corp. Warrants	–	–%
		12,303	15.22%

SCHEDULE OF INVESTMENTS (continued)

Shares '000's	Value US$'000	% of Net Asset Value
Common Stock (continued)		
Total United States	**26,254**	**32.48%**
Total Common Stock	**82,158**	**101.64%**
Total Investments	**82,158**	**101.64%**
Other net liabilities	(1,324)	7.62%
Total Net Assets	**80,834**	**100.00%**

*Unlisted investments. All unlisted investments are valued by the Investment Manager using the International Venture Capital Association guidelines.

All other investments are listed investments and are valued using the publicly quoted market value at the close of business on June 30, 2009.