

GOLDEN PROSPECT PRECIOUS METALS LIMITED



Interim Report and Financial Statements
for the period ended 30 June 2011



GOLDEN
PROSPECT
PRECIOUS
METALS

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Chairman's Statement

Introduction

Over the last six months and particularly the last few weeks there has been a significant correction in financial and investment markets, particularly within the commodities sector, both metals and energy. This chiefly stems from eroding confidence in politicians' abilities to solve the eurozone debt crisis but also from the slow-down in the China and emerging markets growth story. These factors have been perceived as a substantial blow to the hopes for a recovery in global economies.

As a consequence a flight of defensive money has been re-channelled into the US dollar which, because of its traditional inverse relationship, has been reflected in a sharp downturn in gold and silver prices following their robust ascent in recent times. This has inevitably damaged gold and silver equities.

The extreme volatility we have witnessed of late has created a more risk averse private investor as bear market anxieties gain traction with financial commentators. In spite of this uncertain climate, your Board and the Investment Manager remain committed to the bull market arguments for precious metals and are confident that strong earnings and other fundamentals for producers will ultimately result in higher share prices boosted by increased dividend payouts and more premium values from expanding M&A activity. Improving sentiment will in turn extend to mid-tier developers and explorers.

Following the increases seen in the price of gold and silver, many mining companies are generating increased profits, which have yet to be reflected in their share prices. The sovereign debt crisis is leading many investors to turn to precious metals as a safe haven asset and one without counterparty risk.

The Board and the Investment Manager believe that precious metals are under-represented in global investment portfolios. GPPM has a good track record and the Proposed Placing will provide an opportunity for investors to participate in its successful investment approach.

Investment Performance to June 30

The performance of gold over the six months under review has been relatively strong. In US dollar terms, it returned 5.6% over that period. However, in sterling terms, gold only returned 2.5% as sterling strengthened slightly against the dollar. The positive performance in gold is attracting renewed investor interest in the yellow metal as a supreme hedge against fiat currencies.

GPPM's portfolio performance over that period has been slightly hampered by the lack of performance of gold mining shares whose share prices have yet to reflect the increase seen in the gold price. The GPPM share price declined by 14% during the period while its NAV declined by 7.5% to 118.17p. This compares favourably with the Philadelphia Gold and Silver index which has declined by 13.8% (in sterling terms) over the same period.

Your Board is very pleased with the performance of Golden Prospect over this period, particularly when the interest in gold mining companies has been subdued.

Outlook

The issues which, I highlighted previously concerning high levels of European Debt have re-emerged in the last six months. Once again, Greece appears vulnerable and investors are also reviewing the debt position of Italy and Portugal. Gold and silver continued to perform relatively well as a store of value. One of the exciting developments is that the Central Banks have been net buyers of gold, all in all adding over 150 tonnes in the first six months of the year. This marks an important change from the selling they have been doing for over 15 years.

We therefore believe that the outlook for gold and gold shares for the remainder of the year remains very encouraging. Against a backdrop of higher gold prices, we expect gold mining companies to start producing increased cash flows and profits as their margins expand. Gold producers are likely to pay out larger dividends as a result of the increasing profits they generate. Additionally, with an improving outlook for gold, we would expect to see greater M&A activity in the foreseeable future.

All of these factors point to a buoyant period for gold mining companies at a time when the global economy is struggling. This should bode well for shareholders of the Company.

Malcolm Burne
Chairman

Board Members

Directors of the Company

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

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

Malcolm Burne

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

Kaare Foy

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

Robert King

Robert King, 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.

Investment Manager's Report

Over the six months to 30 June and at the time of writing, gold prices have continued to trend upwards. Over the period, it traded as low as \$1,308.25 on 28 January and traded as high as \$1,577.57 on 2 May, before finishing the half year at \$1,500.35 per ounce providing a return of 5.5%. The NAV of the company opened the year at 127.77p and finished at 118.21p, a negative return of 7.5%.

The markets over the first six months of the year have been relatively benign and there was consequently substantial profit taking in the gold mining companies. Investors who had profited from gold mining stocks decided to rotate into other sectors. The shift was particularly noticeable in January. Up until May, this strategy appeared sound as the general equity markets had a relatively good run in that period. Since then, fears over sovereign debt issues returned and investors readjusted their investment strategies accordingly.

We recognise these short term gyrations could shake the confidence of investors in gold and gold mining shares. In our previous interim report, we stated that short term sell-offs are to be expected, given market conditions. However, we remain of the belief that the run in gold and gold mining shares is far from over.

The world is suffering from an excess of debt, whether that be individuals or governments. Individuals have been slowly deleveraging by saving more and spending less, leaving the economy struggling to recover as quickly as forecasted. The issue for governments is even more pronounced because they took a significant amount of debt from the private sector in 2008 and 2009 as part of their attempts to stimulate the economy by increasing spending. In addition, the quantum of debt has grown to such a size that a debt default or a currencies collapse are now real concerns.

This backdrop is very positive for gold which remains a store of value with no counterparty risk and hence, even if these economic and financial gyrations prevail, we believe that the trend is still in our favour and we are likely to see a continued shift of investment into the sector.

From a portfolio perspective, we continue to invest in the mid-cap gold producers and selective explorers. Gradually we have been taking profits in some names which have performed very well and rotating the money into selected producers where we continue to see value. The M&A theme which we spoke about in our previous reports has yet to take place in any meaningful way but the increase in gold prices should generate renewed interest from the majors, as they see just how value accretive these potential acquisitions are.

John Wong
New City Investment Managers Limited

Statement of Comprehensive Income (Unaudited)

For the period from 1 January 2011 to 30 June 2011

	Notes	Revenue £	Capital £	01.01.11 to 30.06.11 Total £	01.01.10 to 30.06.10 Total £
Income					
Dividend income from equity securities designated at fair value through profit or loss		77,910	—	77,910	43,238
Interest income for financial assets that are not at fair value through profit or loss:					
Other income		—	—	—	478
Cash and cash equivalents	1	—	—	—	920
		77,910	—	77,910	44,636
Net (losses)/gains on financial assets at fair value through profit or loss	1,7	—	(4,801,306)	(4,801,306)	5,690,817
Net gains/(losses) on foreign currency	1	343,289	—	343,289	(170,614)
Total income		421,199	(4,801,306)	(4,380,107)	5,564,839
Expenses					
Investment Management fees	5	(359,630)	—	(359,630)	(189,954)
Administration fees	5	(27,273)	—	(27,273)	(27,273)
Custodian fees	5	—	—	—	(29,753)
Directors' fees	5	(23,893)	—	(23,893)	(18,395)
Audit fees		(5,951)	—	(5,951)	(5,951)
Brokerage fees		(5,306)	—	(5,306)	(5,788)
Directors' insurance costs		—	—	—	(6,834)
Registrar's fees		(6,008)	—	(6,008)	(8,156)
Sponsor fees		(15,688)	—	(15,688)	—
Legal fees		(4,560)	—	(4,560)	(5,130)
Printing		(11,777)	—	(11,777)	(8,925)
Other expenses		(23,354)	—	(23,354)	(34,969)
Total operating expenses		(483,440)	—	(483,440)	(341,128)
Operating (loss)/profit before finance costs and tax		(62,241)	(4,801,306)	(4,863,547)	5,223,711
Withholding tax	3	(3,297)	—	(3,297)	—
Total comprehensive (deficit)/income for the period					
		(£65,538)	(£4,801,306)	(£4,866,844)	£5,223,711
Basic earnings per Ordinary Share (pence)	6	0.00p	(0.12p)	(0.12p)	13.76p
Diluted earnings per Ordinary Share (pence)	6			(0.12p)	13.76p

The 'Total' column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary 'Revenue' and 'Capital' columns are both prepared for information purposes only.

All the items in the above statement derive from continuing operations.

The notes on pages 9 to 20 form part of these Financial Statements.

Statement of Changes in Equity (Unaudited)

For the period from 1 January 2011 to 30 June 2011

	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total £
Balance as at 1 January 2011		40,370	—	(1,832,025)	29,390,823	(1,481,550)	25,796,070	51,913,688
Total comprehensive income								
Total comprehensive (loss)/income for the period	12	—	—	5,952,667	(10,753,973)	(65,538)	—	(4,866,844)
Balance as at 30 June 2011		£40,370	£—	£4,120,642	£18,636,850	(£1,547,088)	£25,796,070	£47,046,844

For the period from 1 January 2010 to 30 June 2010

	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total £
Balance as at 1 January 2010		37,950	—	(4,667,335)	6,340,689	(2,020,314)	23,391,862	23,082,852
Total comprehensive income								
Total comprehensive (loss)/income for the period		—	—	3,027,467	2,663,350	(467,106)	—	5,223,711
Balance as at 30 June 2010		£37,950	£—	(£1,639,868)	£9,004,039	(£2,487,420)	£23,391,862	£28,306,563

The notes on pages 9 to 20 form part of these Financial Statements.

Balance Sheet (Unaudited)

As at 30 June 2011

	Notes	30.06.11 £	31.12.10 £
Current Assets			
Financial assets at fair value through profit or loss	1,7	44,516,727	52,422,683
Cash and cash equivalents	1,8	2,825,619	842,235
Receivables	9	75,557	26,778
Total Assets		47,417,903	53,291,696
Current Liabilities			
Payables and accruals	10	(242,744)	(106,051)
Bank overdraft	8	(128,315)	(1,271,957)
Total Liabilities		(371,059)	(1,378,008)
Total Assets less Current Liabilities		£47,046,844	£51,913,688
Equity			
Ordinary share capital	11	40,370	40,370
Revenue reserve	12	(1,547,088)	(1,481,550)
Distributable reserve	12	25,796,070	25,796,070
Other reserves	12	22,757,492	27,558,798
Total Equity		£47,046,844	£51,913,688
Number of Ordinary Shares in issue	11	40,370,000	40,370,000
Net Assets Value per Ordinary Share (pence)		116.53p	128.59p

The Unaudited Financial Statements on pages 5 to 20 were approved by the Board of Directors on 12 October 2011 and signed on its behalf by:

Robert King

Kaare Foy

The notes on pages 9 to 20 form part of these Financial Statements.

Cash Flow Statement (Unaudited)

For the period from 1 January 2011 to 30 June 2011

	01.01.11 to 30.06.11 £	01.01.10 to 30.06.10 £
Cash flows from operating activities		
(Loss)/profit for the period	(4,866,844)	5,223,711
Adjustment for:		
Losses/(gains) on financial assets at fair value through profit or loss	4,801,306	(5,690,817)
Operating cash flows before movements in working capital	(65,538)	(467,106)
(Increase)/decrease in receivables	(9,517)	7,359
(Decrease)/increase in payables and accruals	(21,907)	49,507
Purchase of financial assets at fair value	(14,213,013)	(9,971,458)
Sale of financial assets at fair value	17,437,001	14,389,640
Net cash generated (used in) from operating activities	3,127,026	4,007,942
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	—	—
Issue costs relating to issue of Ordinary Shares	—	—
Loan advanced	—	—
Net cash generated from financing activities	—	—
Net increase in cash and cash equivalents	3,127,026	4,007,942
Net cash and cash equivalents at beginning of period	(429,722)	(2,768,301)
Cash and cash equivalents at end of period	2,697,304	1,239,641

The notes on pages 9 to 20 form part of these Financial Statements.

Notes to the Financial Statements

For the period from 1 January 2011 to 30 June 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 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 to 31 December 2010 the Company issued 2,420,000 new Ordinary shares at a value of £2,406,628 after issue costs; no further shares were issued in the current period. The total number of ordinary shares outstanding is 40,370,000.

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).

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 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 transactions are effected in Sterling. The Financial Statements have been prepared on a historical cost basis except for the measurement of financial assets and financial liabilities at fair value through profit or loss.

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

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

Financial assets

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

Receivables

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

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

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

Financial assets at fair value

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

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

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

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

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

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

Financial liabilities

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

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

2. Principal Accounting Policies (continued)

Financial liabilities measured at amortised cost

These include trade 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.

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 also charged to the Income Statement, as items of a capital nature.

Share Issue Expenses

During the period the Company did not issue any shares or incur share issue costs (30 June 2010: £nil). Any expenses incurred would be 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 and realised exchange differences of a capital nature are accounted for in the Realised Capital Reserve. Unrealised gains and losses recorded on the revaluation of investments held at the period 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 period 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.

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

2. Principal Accounting Policies (continued)

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. However, for additional information, the total fair value of the segment and the equivalent percentages of the total value of the Company can be found in the portfolio statement on page 21.

Sales of investments awaiting settlement

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

3. Taxation

The amounts disclosed as taxation in the Income Statement of the Company relate solely to withholding tax suffered at source on income. 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.

5. Related Party Transactions

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

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. All Directors are entitled to remuneration for their services of £12,000 per annum. During the period ended 30 June 2011, directors' fees of £23,893 were charged to the Company (30 June 2010: £18,395) and £11,967 was payable at the period end (31 December 2010: £3,074). All Directors are non-executive.

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

Investment Manager

The Company's investment manager 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 5th March 2010 but continued to trade as New City Investment Managers. 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 period ended 30 June 2011 investment management fees of £359,630 were charged to the Company (30 June 2010: £189,954) and £58,891 was payable at the period 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 period ended 30 June 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 period ended 30 June 2011 administration fees of £27,273 were charged to the Company (30 June 2010: £27,273) and £4,520 was payable at the period end (31 December 2010: £4,671).

6. Basic And Diluted Earnings Per Ordinary Share

Basic earnings per Ordinary Share is calculated by dividing the comprehensive loss for the period of £4,886,844 (30 June 2010: comprehensive income of £5,223,711) by the weighted average number of Ordinary Shares outstanding during the period. The weighted average number of ordinary shares is 40,370,000 as no further shares were issued (30 June 2010: 37,950,000).

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 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 carrying amounts of the financial assets and liabilities by category as defined in IAS 39.

Categories of financial instruments:

	Fair Value £	30.6.11 % of net assets attributable to shareholders
Financial assets designated as at fair value through profit or loss		
Listed equity securities	44,302,777	94.17
Bonds	213,950	0.45
	£44,516,727	94.62
Financial instruments designated as cash and cash equivalents and receivables		
Cash and cash equivalents	2,825,619	6.01
Receivables	75,557	0.16
	£2,901,176	6.17
Financial instruments designated as current liabilities		
Payables and accruals	(242,744)	(0.52)
Bank overdraft	(128,315)	(0.27)
	(£371,059)	(0.79)

Net losses on financial assets at fair value through profit or loss:

	01.1.11 to 30.6.11 £
Realised gains on financial assets designated as at fair value through profit or loss	5,952,667
Net unrealised losses on financial assets designated as at fair value through profit or loss	(10,753,973)
Net losses on financial assets at fair value through profit or loss	(£4,801,306)

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

7. Financial Instruments (continued)

	Fair Value £	31.12.10 % 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
Bonds	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:

	01.1.10 to 30.6.10 £
Realised gains on financial assets designated as at fair value through profit or loss	3,027,467
Net unrealised gain on financial assets designated as at fair value through profit or loss	2,663,350
Net gains on financial assets at fair value through profit or loss	£5,690,817

8. Cash and Cash Equivalents

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

	30.06.11 £	31.12.10 £
Cash at bank	2,825,619	842,235
Bank overdraft	(128,315)	(1,271,957)
	£2,697,304	(£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 period from 1 January 2011 to 30 June 2011

9. Receivables

	30.06.11 £	31.12.10 £
Dividend income receivable	10,167	—
Bond interest receivable	2,285	5,897
Sales of investments awaiting settlement	55,825	18,490
General expenses prepaid	7,280	2,391
	£75,557	£26,778

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

10. Payables and Accruals

	30.06.11 £	31.12.10 £
Administration fee payable (Note 5)	4,520	4,671
Directors' fees payable (Note 5)	11,967	3,074
Investment management fee payable (Note 5)	58,891	65,630
Other accruals	2,814	5,675
Audit fee payable	5,952	12,001
Custodian fee payable (Note 5)	—	15,000
Purchase of investments awaiting settlement	158,600	—
	£242,744	£106,051

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

11. Share Capital, Share Premium and Distributable Reserve

Authorised Share Capital	£
200,000,000 Ordinary Shares of £0.001 par value	£200,000
200,000,000 Warrants of no par value	£—

	No. of Shares		Share Capital	
	2011	2010	2011 £	2010 £
Issued and Fully Paid Share Capital				
Equity Shares				
<i>Ordinary Shares of £0.001 each at inception</i>				
As at 1 January	40,370,000	37,950,000	40,370	37,950
Issued during the period / year	—	2,420,000	—	2,420
As at 30 June / 31 December	40,370,000	40,370,000	40,370	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.

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

12. Reserves

	01.01.11	Movement	30.06.11
	£	£	£
Distributable reserve	25,796,070	—	25,796,070
Realised capital reserve	(1,832,025)	5,952,667	4,120,642
Capital reserve	29,390,823	(10,753,973)	18,636,850
Comprehensive loss for the period	(1,481,550)	(65,538)	(1,547,088)
	£51,873,318	(£4,866,844)	£47,006,474

	01.01.10	Movement	31.12.10
	£	£	£
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 period	(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 period from 1 January 2011 to 30 June 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 bank balances and receivables. It is in the

opinion of the Board of Directors that the carrying amount of these financial assets represents the maximum credit risk exposure as at the date of the Balance Sheet.

As at 30 June 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:

	30.06.11 £	31.12.10 £
Cash and cash equivalents:		
Credit Suisse Securities (Europe) Limited	2,825,619	842,235
Receivables	55,825	16,242
Total assets at credit risk	£2,881,444	£858,477

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 £	30.6.11 Total £
Gross settled:					
Borrowings	—	—	—	—	—
Bank overdraft	—	128,315	—	—	128,315
Performance fee accrual	—	—	—	—	—
Investment management fee payable	58,891	—	—	—	58,891
Administration fee payable	4,520	—	—	—	4,520
Directors' fees payable	11,967	—	—	—	11,967
Audit fee payable	—	—	5,952	—	5,952
Purchase of investments awaiting settlement	158,600	—	—	—	158,600
Other payables	—	2,814	—	—	2,814
	£233,978	£131,129	£5,952	£-	£371,059

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

13. Financial Risk Management (continued)

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	31.12.10 Total £
Gross settled:					
Borrowings	—	—	—	—	—
Bank overdraft	—	1,271,957	—	—	1,271,957
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 settlement	—	—	—	—	—
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 expects to maintain current debt to equity ratio within 20% of NAV.

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 £2,225,836 (31 December 2010: £2,621,134) to a 5% increase or decrease in the market prices with other variables being held constant as at 30 June 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.

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

13. Financial Risk Management (continued)

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 period to 30 June 2011 would have been £nil (31 December 2010: £142) higher or lower due to the change in the interest payable on the bank overdraft and the interest receivable on cash and cash equivalents.

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 30 June 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:

	30.6.11		31.12.10	
	Assets £	Liabilities £	Assets £	Liabilities £
Australian Dollar (AUD)	11,279,893	(19,193)	12,632,745	—
Canadian Dollar (CAD)	32,150,877	(158,600)	36,342,445	(1,271,957)
United States Dollar (USD)	1,125,068	—	1,399,152	—
	44,555,838	(177,793)	50,374,342	(1,271,957)

Notes to the Financial Statements (continued)

For the period from 1 January 2011 to 30 June 2011

13. Financial Risk Management (continued)

Foreign currency sensitivity

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

The following table details the Company's sensitivity to a 5% increase or decrease in Sterling against the relevant foreign currencies. A 5% change is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis

includes only outstanding foreign currency denominated financial assets and financial liabilities and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number indicates an increase in net assets attributable to holders of Ordinary Shares where Sterling weakens against the relevant currency and a negative number indicates a decrease in net assets where Sterling strengthens against the relevant currency.

	AUD £	CAD £	30.6.11 USD £
Change in net assets in response to a 5% change in foreign currency rates	592,668 (536,224)	1,683,804 (1,523,442)	59,214 (53,575)

	AUD £	CAD £	31.12.10 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)

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 £	30.6.11 Total £
Financial assets at fair value through profit or loss	44,516,727	—	—	44,516,727

	Level 1 £	Level 2 £	Level 3 £	31.12.10 Total £
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

On 14 September 2011 the Board made an announcement to the CISX offering a one for two bonus issue of subscription shares to all shareholders of the Company. This provides an instrument which may be traded on-market and gives shareholders the opportunity to participate in the future net asset growth of the Company. In conjunction with the bonus issue the Company intends to raise up to £115 million via a placing of New Ordinary Shares.

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.

Portfolio Statement

As at 30 June 2011

Description	Holding	Fair Value £	% of Total Net Assets
Equities			
Australia			
Adamus Resources Ltd	2,630,384	973,138	2.07%
Ausgold Ltd	3,339,271	3,338,913	7.10%
Azumah Resources Ltd	2,500,000	899,903	1.91%
Gryphon Minerals Ltd	1,700,000	2,017,117	4.29%
Mineral Deposits Ltd	250,000	918,235	1.95%
Newcrest Mining Ltd	45,188	1,135,001	2.41%
Perseus Mining Ltd	400,000	663,929	1.41%
Other holdings		1,333,657	2.83%
		11,279,893	23.97%
Canada			
Alamos Gold Inc	150,000	1,539,539	3.27%
Detour Gold Corp	60,000	1,080,969	2.30%
Extorre Gold Mines Ltd	300,000	2,385,801	5.07%
First Majestic Silver Corp	50,000	573,535	1.22%
Fortuna Silver Mines Inc	350,000	1,134,159	2.41%
Iamgold Corp	190,000	2,219,906	4.72%
Minco Silver Corp	450,000	1,283,917	2.73%
North Amer Palladium Ltd	375,000	958,581	2.04%
Perseus Mining Ltd	450,000	778,484	1.65%
Queenston Mining Inc	350,000	1,543,089	3.28%
Rockridge Capital Corp	2,203,500	1,152,127	2.45%
Scorpio Mining Corp	612,800	506,327	1.08%
Semafo Inc	475,000	2,256,700	4.80%
Silver Wheaton Corp	200,000	4,109,310	8.73%
Tahoe Resources Inc	100,000	1,152,879	2.45%
Other holdings		473,804	1.01%
		23,149,127	49.21%
United Kingdom			
Fresnillo Plc	160,000	2,243,200	4.77%
Other holdings		562,500	1.20%
		2,805,700	5.97%
United States			
ZKB Gold ETF-A (USD)	125	116,271	0.25%
		116,271	0.25%
Total Equities		37,350,991	79.40%

Portfolio Statement

As at 30 June 2011

Description	Holding	Fair Value £	% of Total Net Assets
Warrants			
Ausgold Eqw 31-Mar-13	5,000,000	4,499,517	9.55%
First Majestic Eqw 20-Aug-11	100,000	936,311	1.99%
Resolute Mining Eqw 31-Dec-12	1,500,000	1,159,876	2.47%
Other holdings		356,082	0.76%
Total Warrants		6,951,786	14.77%
Bonds			
United States			
Atna Resources Ltd 10% 31 Dec 2013	343,750	213,950	0.45%
Others			
Mineral Deposits Ltd - rights issue Ex-date 20/06/11 Exp 11/07/11	50,000	—	0.00%
Total investments		44,516,727	94.62%
Other current assets less current liabilities		2,530,117	5.38%
Total Net Assets		£47,046,844	100.00%

Management and Administration

Directors

Malcolm Alec Burne (Non-executive Director)
Kaare Glenne Foy (Non-executive Director)
Robert Paul King (Non-executive Director)

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
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Investment Manager

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Grand Cayman KY1-1104
Cayman Islands

New City Investment Managers
(a trading name of CQS Asset Management Limited)
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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.

Financial Adviser and Broker to the Company

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London W1S 1YZ

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Further details are available on the Investment Manager's website - www.ncim.co.uk



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