



Golden Prospect plc

REPORT AND FINANCIAL STATEMENTS  
for the **period** ended 31 December 1999

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## OFFICERS AND ADVISERS

### Directors

Malcolm Alec Burne (Executive Chairman)  
Kevin Daniel Crotty (Non-Executive Director)  
David Anthony Landauer (Non-Executive Director)  
Neil Thacker MacLachlan (Non-Executive Director)  
Nathan Anthony Steinberg FCA FCCA TEP (Finance Director)

### Company Secretary and Registered Office

Philippa Anne Keith ACIS  
22 Melton Street  
London NW1 2BW  
Company Registration Number: 3172986

### Nominated Advisers

Grant Thornton  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

### Auditors

Grant Thornton  
Registered Auditors  
Chartered Accountants  
31 Carlton Crescent  
Southampton SO15 2EW

### Nominated Brokers

Fiske & Co Limited  
Salisbury House  
London Wall  
London EC2M 5QS

### Registrars

Melton Registrars Limited  
P O Box 30  
Cresta House  
Alma Street  
Luton  
Bedfordshire LU1 2PU

### Solicitors

Stringer Saul  
17 Hanover Square  
London W1R 9AQ

### Principal Bankers

National Westminster Bank Plc  
Great Portland Street Branch  
P O Box 2027  
125 Great Portland Street  
London W1A 1GA

## CHAIRMAN'S REPORT

Although the period under review has been difficult it has also been challenging. The board has been focused on improving shareholder value via an asset exchange with CIBC Eyres Reed Australian Resources Fund.

Regrettably the legal and regulatory body issues involved in successfully concluding the transaction have been extraordinarily protracted and has occupied management corporate time to the exclusion of other major opportunities. Some of the larger institutions own shares of both Golden Prospect and the fund. For this reason among others, the agreement was subject to the approvals from Regulatory Authorities.

Happily the efforts of both CIBC and your directors have been rewarded by virtue of an eventual closing of the deal on 30 June 2000.

The assets being added to your company's balance sheet are a considerable circa A\$21 million equivalent to £8.1 million and represent a quality portfolio of junior resource companies in Australia which your board believes will prove to be undervalued. It is proposed to rationalise the various strategic equity positions in these companies and to continue on a proactive basis to their future development. While the majority of the period under review has been used absorbing this project, management has nevertheless been mindful of the various other significant opportunities that have been presented.

The company's investment strategy is to take full advantage of undervalued assets in the minerals markets – historically a cyclical sector. Research reveals that some companies still offer exceptional value and management will continue to strive to raise additional equity capital in order to expand its portfolio.

### **Investments and trading**

Your company's long term strategic investments in Samson Exploration N.L., Sapphire Mines N.L. and Geographe Resources Limited are all progressing.

Samson in which your company has a 22.4 per cent stake now has the major part of its assets invested in Kestral Energy, a USA oil and gas company currently engaged in a drilling programme.

Sapphire Mines where we hold a 22.75 per cent holding is preparing for substantial diversification and as a result has attracted a wider shareholder base and a major new investor on the share register.

Geographe Resources is now 35.76 per cent owned by Golden Prospect and has backed a technology investment company with the acquisition of a strategic stake in B2B group Resource Trading Systems Pty. Ltd.

A short term trading portfolio has proved volatile but management remain optimistic that the junior end of the mining and natural resources market will increasingly attract investor attention in the coming year.

Accordingly the director of Golden Prospect announce that the company has recorded a loss of £962,514 reflecting poor market conditions in the gold sector of the mining markets. This includes an exceptional loss of £748,682 relating to the provision against the company's investment portfolio.

## CHAIRMAN'S STATEMENT CONTINUED

### Platinum exploration

Dr John Bowles of Mineral Science and our consulting platinum geologist has negotiated on your company's behalf some platinum exploration licenses covering 200 square kilometres in the southern region of Ethiopia, a prospecting licence of 481 square kilometres and other properties covering historical platinum mining areas.

Rock and soil samples sent to Omac for assaying show platinum in 95 out of 101 samples of soil and weathered bedrock with assays reaching 0.8 to 2.1 grams per tonne platinum. Gold was also present in 82 of these samples reaching 0.6 to 4.7 grams per tonne in one area. Dr Bowles, pre-eminent in his field, regards the area "as having significant potential" because the platinum bearing rocks are weathered and at surface and could be readily mined using inexpensive open-pit techniques. He adds that there "is the possibility of large volume production from low to medium grade ore."

The company proposes to source joint venture partners with a view to financing a field survey and drilling programme to define a reserve.

With regard to the company's assets in Sierra Leone, the continued political difficulties have prevented management from unlocking the platinum values at York, a peninsula which reveals rock as being present up to 0.69g/t, double the value of that reported earlier with rich layers extending along strike.

In another sample rich area, the Lake Sonfon gold exploration activity has been put on a care and maintenance basis until the politics improve while in Guinea the company is reviewing its options over concession 41 within the gold bearing Siguri prefecture.

The company continues to pursue potential joint venture partners for all of its resources properties and hopes to securitise these assets at the earliest opportunities. Management takes the view that retaining these assets will return rewards in the longer term when Country politics in Africa settle down and mining activities return to normal.

### Summary

Your company is at the advanced stage of discussions with an investment banking company in North America with regard to funding the exploration division of the Golden Prospect group and we would hope to be able to report soon that progress has been made in this respect.

Although the gold price remains under pressure from Central Bank selling and industry derivative activity such as hedging, the prospects of a rise in the medium term will increase with the advent of a renewed upturn in the inflation cycle.

Some base metal and platinum group metal prices are enjoying peaks not seen for some time and management intends increasing the company's exposure to the buoyant sectors as opportunities arise.

Following the completion of the asset exchange with CIBC Eyres Reed Australian Resources Fund, the board welcomes the proposed appointment of Mr Peter Gunzburg as a director.

The company's shares are now traded on the AIM market and are quoted daily in the Financial Times and Evening Standard.

**CHAIRMAN'S STATEMENT**  
CONTINUED

May I take this opportunity of thanking all the company's professional partners and the employees in both UK and Australia not forgetting the loyalty of shareholders during the period.

Whilst it is always difficult to forecast forward events, Golden Prospect is well placed to take advantage of the increased interest in the mining markets by both professional and private investors.

I sincerely hope I will be reporting on an optimistic note in next year's report.

M A Burne

Chairman

Dated 30 June 2000

## DIRECTORS' REPORT 1999

The directors present their second report and the audited financial statements of the group for the period from 1 July 1998 to 31 December 1999.

### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS.

During the period under review the group was engaged in equity investment in the mining market and gold and platinum exploration in West Africa. On 12 February 1999 the company changed its name from Golden Prospect Mining Company plc

A full review of the activity of the business and of future prospects is contained in the Chairman's Statement which accompanies these accounts.

### REVIEW OF DEVELOPMENTS

The results of the group for the period are disclosed in the consolidated profit and loss account on page 11.

The financial position of the group and the company is disclosed in the balance sheets on pages 13 and 14.

### POLICY FOR PAYMENT OF CREDITORS

It is the company's policy to settle all agreed transactions within the terms established with suppliers. There were no trade creditors at the period end.

### CORPORATE GOVERNANCE

The board supports the principles of good governance contained in the report of the Committee on Corporate Governance (the Hampel Committee). It complies where this is commercially justified, allowing for the practical limitations relating to the company's size. The directors are also considering the implications of "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) which was published in September 1999.

The board meets regularly in order to determine the strategy and policy of the group and the allocation of its financial resources.

The company has appointed three non-executive directors. Remuneration and audit committees have been established with formally delegated duties and responsibilities. Both are composed of the non-executive directors. The audit committee is responsible primarily for ensuring that the financial performance of the group is properly monitored and reported on and for reviewing reports from the auditors relating to the group's accounting and internal control. The main responsibility of the remuneration committee is to review the performance of the executive directors and to set their remuneration and the other terms of their employment.

The company has formally adopted the Model code governing directors' share dealings.

### INTERNAL FINANCIAL CONTROL

The directors monitor the operation of the internal financial controls. The objective of the system is to safeguard group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal financial control can only provide reasonable, but not absolute assurance against material mis-statement or loss.

Internal financial control procedures undertaken by the board include:

- review of monthly financial reports and monitoring performance
- prior approval of all significant expenditure including all major investment decisions
- review and debate of treasury policy.

The board has reviewed the operation and effectiveness of the group's system of internal financial control for the financial year and the period up to the date of approval of the financial statements.

**DIRECTORS' REPORT 1999**  
CONTINUED

**GOING CONCERN**

The board confirms that the business is a going concern and has reviewed its working capital requirements in conjunction with its future funding capabilities for the next 12 months and has found them to be adequate.

**DIRECTORS AND THEIR INTERESTS**

The present membership of the Board is set out on page 2

The directors who served during the period and their interests in the ordinary shares of the company were:

**BENEFICIAL HOLDINGS**

	<b>At 31 December 1999</b>	<b>At 1 July 1998 or on appointment</b>	<b>Share Options At 1 July</b>	
			<b>31 December 1999</b>	<b>1998 or on appointment</b>
M A Burne	-	-	325,000	325,000
K D Crotty	200,000	200,000	500,000	500,000
D A Landauer	1,100,000	1,100,000	-	-
N T MacLachlan	400,000	400,000	500,000	500,000
N A Steinberg	-	-	200,000	200,000

**NON-BENEFICIAL HOLDINGS**

M A Burne	2,231,000	2,231,000
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Further details in respect of the share options are disclosed in note 13 to the accounts.

**SUBSTANTIAL SHAREHOLDERS**

The Directors are aware of the following substantial shareholdings, in addition to those held by directors as disclosed above, of 3 per cent, or more of the current Issued Share Capital as at 28 June 2000.

<b>Ordinary Shares of 10p each</b>	<b>Number</b>	<b>Percentage</b>
Equitable Life Assurance Society	13,050,000	26.5
HSBC Global Custody (UK) Ltd 245408 Account	6,200,000	12.6
N S Warrell	4,087,750	8.3
Chase Nominees Limited	4,030,000	8.2
Clontary Investments Limited	3,996,250	8.1
HSBC Global Custody (UK) Ltd 811858 Account	2,250,000	4.6

**SPECIAL BUSINESS**

In accordance with normal practice the Directors' authorities to allot shares pursuant to Sections 80 and 95 of the Companies Act 1985 is being reviewed with the conclusion of the Annual General Meeting of the company to be held in 2001 for up to 100,805,000 ordinary shares (approximately 205 per cent of the company's issued share capital). Certain amendments will also be made to the Articles of Association.



**DIRECTORS' REPORT 1999**  
CONTINUED

YEAR 2000

The company reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the year 2000 date change and through any roll over procedures that occurred at a later date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problem. As all businesses are dependent on the compliance of their mayor customers, suppliers and other trading partner any impact that has occurred on their system will affect the company's business to a greater or lesser extent.

AUDITORS

Grant Thornton have expressed their willingness to continue in office as auditors. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 30 June 2000.

M A Burne  
Chairman

**DIRECTORS' RESPONSIBILITIES**  
IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company at the end of the year and of the results of the group for the year.

The directors are responsible for keeping proper accounting records as required by the Companies Act 1985 and for maintaining sufficient internal controls to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities.

The directors confirm that the above requirements have been complied with and that in preparing the financial statements they have adopted suitable accounting policies and have applied them consistently, supported where necessary by reasonable and prudent judgements and estimates. The directors also confirm that the financial statements have been prepared following applicable accounting standards. In addition, the directors confirm that it is appropriate for the financial statements to be prepared on the going concern basis. The going concern review has been performed to the end of June 2001.

**AUDITORS' REPORT**  
TO THE MEMBERS OF GOLDEN PROSPECT PLC

We have audited the financial statements on pages 11 to 23 which have been prepared under the historical cost convention and the accounting policies set out on page 17.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the financial statements. As described on page 9, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you on our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information contained in the financial statements, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

**BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**FUNDAMENTAL UNCERTAINTY**

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the company's subsidiary, Golden Prospect Mining Company Limited, which is based in Sierra Leone. The group has deferred exploration expenditure amounting to £3,557,443 relating to its investment in Sierra Leone. The ability of the company to recommence and continue its mining operations is dependent on the return of Sierra Leone to long term political stability as referred to in the accounting policies. The financial statements do not include any adjustments which would result from the political situation in Sierra Leone remaining unstable. Our opinion is not qualified in this respect.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 December 1999 and of the group's loss for the period from 1 July 1998 to 31 December 1999 and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON  
*Chartered Accountants*  
*Registered Auditors*

Southampton  
30 June 2000

**CONSOLIDATED PROFIT & LOSS ACCOUNT**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

		18 Months ended 31/12/99	Year ended 30/6/98
	Note	£	£
<b>Sales</b>	2	1,851,968	2,424,023
Cost of sales		<u>1,944,537</u>	<u>2,424,390</u>
<b>Gross Loss</b>		(92,569)	(367)
Other operating income - dividends received		31,057	5,681
Administrative expenses		(215,150)	(98,362)
Exceptional Item	3	<u>(748,682)</u>	<u>—</u>
<b>Operating Loss</b>	4	(1,025,344)	(93,048)
Interest receivable		<u>62,830</u>	<u>207,182</u>
<b>(Loss)/Profit on Ordinary Activities Before Taxation</b>		(962,514)	114,134
Tax on loss/(profit) on ordinary activities	6	<u>—</u>	<u>(10,000)</u>
<b>(Loss)/Profit For The Financial Period Transferred (From)/To Reserves</b>		<u>(962,514)</u>	<u>104,134</u>
Profit/(loss) per ordinary share - basic	7	(1.97p)	0.27p
- fully diluted		—	0.25p

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

	The Group	
	18 Months ended 31/12/99	Year ended 30/6/98
	£	£
(Loss)/Profit for the financial period	(962,514)	104,134
Currency differences on foreign currency net investments	<u>—</u>	<u>(5,304)</u>
<b>Total recognised gains and losses for the period</b>	<u>(962,514)</u>	<u>98,830</u>

The accompanying accounting policies and notes form an integral part of these financial statements

**STATEMENT OF MOVEMENT ON RESERVES**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

	Share premium account	Profit and loss account
	£	£
<b>THE GROUP</b>		
Balance at 1 July 1998	4,376,529	(29,582)
Loss for the financial period	—	(962,514)
Shares issued (net of issue expenses)	81,227	—
Balance at 31 December 1999	<u>4,457,756</u>	<u>992,096</u>
<b>THE COMPANY</b>		
	£	£
Balance at 1 July 1998	4,376,529	(12,239)
Loss for the financial period	—	(959,634)
Shares issued (net of issue expenses)	81,227	—
Balance at 31 December 1999	<u>4,457,756</u>	<u>(971,873)</u>

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £959,634 (1998 – profit £105,752)

**RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

	18 Months ended 31/12/99	Year ended 30/6/98
	£	£
(Loss)/profit for the financial period	(962,514)	104,134
Shares issued (net of issue expenses)	188,727	6,647,340
Other recognised losses relating to the year	—	(5,304)
NET (REDUCTION IN)/ADDITION TO SHAREHOLDERS' FUNDS	<u>(773,787)</u>	<u>6,746,170</u>
At 1 July 1998	9,158,947	2,412,777
At 31 December 1999	<u>8,385,160</u>	<u>9,158,947</u>

The accompanying accounting policies and notes form an integral part of these financial statements

**CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 1999

	Note	18 months ended 31/12/99		Year ended 30/6/98	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	8		3,736,207		3,475,213
Investments	9		<u>2,682,571</u>		<u>2,581,110</u>
			6,418,778		6,056,323
<b>Current Assets</b>					
Investments	10	1,168,419		1,547,151	
Debtors: Amounts falling due within one year	11b	8,439		14,798	
Cash at bank and in hand		<u>809,528</u>		<u>1,594,394</u>	
		1,986,386		3,156,343	
<b>Creditors:</b> Amounts falling due within one year	12		<u>(20,004)</u>		<u>(53,719)</u>
<b>Net Current Assets</b>			<u>1,966,382</u>		<u>3,102,624</u>
<b>Total Assets Less Current Liabilities</b>			<u>8,385,160</u>		<u>9,158,947</u>
<b>Capital And Reserves</b>					
Called up share capital	13		4,919,500		4,812,000
Share premium account			4,457,756		4,376,529
Profit and loss account			<u>(992,096)</u>		<u>(29,582)</u>
<b>Equity Shareholders' Funds</b>			<u>8,385,160</u>		<u>9,158,947</u>

These financial statements were approved by the Board of Directors on 30 June 2000.

Signed on behalf of the Board of Directors

M A Burne  
*Chairman*

N A Steinberg  
*Financial Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

**BALANCE SHEET**  
AS AT 31 DECEMBER 1999

	Note	18 months ended 31/12/99		Year ended 30/6/98	
		£	£	£	£
<b>Fixed Assets</b>					
Investments	9		4,289,840		4,188,377
<b>Current Assets</b>					
Investments	10	1,168,419		1,547,151	
Debtors: Amounts falling due after one year	11a	2,155,524		1,926,638	
Debtors: Amounts falling due within one year	11b	5,767		3,651	
Cash at bank and on deposit		805,061		1,558,859	
		<u>4,134,771</u>		<u>5,036,299</u>	
<b>Creditors:</b> Amounts falling due within one year	12	<u>(19,228)</u>		<u>(48,386)</u>	
<b>Net Current Assets</b>			<u>4,115,543</u>		<u>4,987,913</u>
<b>Total Assets Less Current Liabilities</b>			<u>8,405,383</u>		<u>9,176,290</u>
<b>Capital And Reserves</b>					
Called up share capital	13		4,919,500		4,812,000
Share premium account			4,457,756		4,376,529
Profit and loss account			<u>(971,873)</u>		<u>(12,239)</u>
<b>Equity Shareholders' Funds</b>			<u>8,405,383</u>		<u>9,176,290</u>

These financial statements were approved by the Board of Directors on 30 June 2000.

Signed on behalf of the Board of Directors

M A Burne  
*Chairman*

N A Steinberg  
*Financial Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

	Note	£	18 months ended 31/12/99 £	Year ended 30/6/98 £
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	1		(200,374)	1,336,687
Taxation			(9,843)	
<b>Returns on Investments and Servicing of Finance</b>				
Interest receivable		62,830	207,025	
<b>Net Cash Inflow From Returns on Investment and Servicing of Finance</b>			62,830	207,025
<b>Capital Expenditure and Financial Investment</b>				
Payments to acquire intangible fixed assets		(260,994)	(1,804,209)	
Payments to acquire fixed asset investments		(851,461)	(2,581,110)	
Purchase of investments		(1,565,719)	(3,950,913)	
Sale of Investments		1,851,968	2,424,023	
<b>Net Cash Outflow from Capital Expenditure</b>			(826,206)	(5,912,209)
<b>Net Cash Outflow Before Financing</b>			(973,593)	(4,368,497)
<b>Financing</b>				
Issue of ordinary share capital (net of expenses)		188,727	6,007,340	
<b>Net Cash Inflow From Financing</b>			188,727	6,007,340
<b>Increase/(Decrease) In Cash Resources</b>	2		(784,866)	1,638,843

The notes to the cash flow statement are on page 16.

The accompanying accounting policies and notes form an integral part of these financial statements.



**CONSOLIDATED CASH FLOW STATEMENT**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/6/98</b>
	£	£
Operating loss	(1,025,344)	(93,048)
Decrease/(Increase) in debtors	6,359	1,469,552
(Decrease)/Increase in creditors	(23,872)	(19,556)
Profit on sale of investments	212,586	(345,949)
Unrealised loss on investments	629,897	325,688
	<u>(200,374)</u>	<u>1,336,687</u>

**2. ANALYSIS OF NET FUNDS**

	<b>At 1 July 1998</b>	<b>Cash flow</b>	<b>At 31 December 1999</b>
	£	£	£
Cash at bank and in hand	950,868	(536,315)	414,553
Bank balances with stockbrokers	<u>643,526</u>	<u>(248,551)</u>	<u>394,975</u>
	<u>1,594,394</u>	<u>(784,866)</u>	<u>809,528</u>

**3. SUBSIDIARY UNDERTAKINGS**

All subsidiary undertakings were acquired on formation and had no assets or liabilities when acquired.

The accompanying accounting policies and notes form an integral part of these financial statements.

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention, and include the results of the group's operations as indicated in the directors' report, all of which are continuing. The directors are unable to unlock value from Sierra Leone due to the continued political difficulties.

**1.2 Basis of consolidation**

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 9) drawn up to 31 December 1999 subject to the note below. The results of subsidiary undertakings acquired during the period are included from the date of acquisition. Profits or losses on inter-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair value reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life.

**1.3 Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Listed current assets investments are stated at the lower of cost and market value.

**1.4 Income from investments**

Investment income comprises dividends declared during the accounting period and interest receivable on listed and unlisted investments.

**1.5 Deferred Exploration Costs**

The group uses the full cost method of accounting for mining operations. The costs of expenditure on tangible fixed assets, licences, concessions and exploration incurred by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves at which time such costs will be transferred to tangible assets to be amortised over the expected productive life of the asset. The group's intangible assets are subject to periodic review by the directors. Exploration, appraisal and development costs determined as unsuccessful or uncertain are written off to the profit and loss account.

**1.6 Foreign Currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**1.7 Financial Instruments**

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**2. TURNOVER**

Turnover represents the proceeds of sale of current asset investments which are held for dealing. No turnover was achieved in respect of the group's exploration activities. All turnover relates to continuing activities.

**3. EXCEPTIONAL ITEM**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/06/98</b>
	£	£
Provision for impairment of investments:		
Listed	750,000	—
Unlisted	<u>(1,318)</u>	=
	<u>748,682</u>	=

**4. OPERATING LOSS**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/06/98</b>
	£	£
Operating loss, all of which arises from the company's principal activities, is stated after charging:		
Auditors' remuneration	11,000	7,250
Loss on exchange	<u>—</u>	<u>20,627</u>

The directors do not consider it possible to analyse operating losses between the company's different activities because the activities are so inter-linked and common costs are so high that it is not possible to produce a meaningful analysis.

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/06/98</b>
	£	£
Directors' emoluments	60,417	17,148
Social security	<u>6,356</u>	=
	66,773	17,148

The only employees of the group were the directors as detailed in the directors' report. Nathan Steinberg is a partner in Munslow Messias, a firm of Chartered Certified Accountants. That firm charged fees of £24,050 (1998: £14,375) including VAT to the group in respect of professional services in the period. No payments in respect of pension contributions have been made.

**6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/06/98</b>
	£	£
United Kingdom Corporation Tax 21 per cent	<u>—</u>	<u>10,000</u>

The effective tax charge is lower than the standard rate as a result of the utilisation of tax losses brought forward.

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**7. EARNINGS PER ORDINARY SHARE**

The calculation of earnings per ordinary share is based on losses of £962,514 (1998 – profit £105,752) and on 48,781,840 (1998 – 39,080,877) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The fully diluted earnings per share is based on 49,781,840 (1998 – 41,265,123) ordinary shares allowing for the full exercise of outstanding share purchase options (note 14) and the earnings as stated above. There is no dilutive effect in 1999 in accordance with FRS 14 paragraph 56.

**8. INTANGIBLE ASSETS – THE GROUP**

	<b>Deferred Exploration Costs £</b>	<b>Total £</b>
<b>Costs incurred</b>		
At 1 January 1998	3,475,213	3,475,213
Expenditure during the period	<u>260,994</u>	<u>260,994</u>
At 31 December 1999	<u>3,736,207</u>	<u>3,736,207</u>
 Net book value at 31 December 1999	 <u>3,736,207</u>	 <u>3,736,207</u>
 Net book value at 30 June 1998	 <u>3,475,213</u>	 <u>3,475,213</u>

Of the deferred exploration costs £3,557,443 relates to the group's investment in Sierra Leone. The directors are mindful of the uncertainty of the political situation, but consider that no provision for the permanent diminution in value of this investment is required and in their opinion the potential value of the mining concession is significantly in excess of the net book value of the investment. The directors are not intending to pursue the exploitation of their mining interest in the short term.

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**9. INVESTMENTS HELD AS FIXED ASSETS**

**The Group**

	<b>Listed Investments £</b>	<b>Total</b>
<b>Cost</b>		
At 1 July 1998	2,581,110	2,581,110
Additions	851,461	851,461
Provision for impairment	<u>(750,000)</u>	<u>(750,000)</u>
At 31 December 1999	2,682,571	2,682,571
<b>Net book value</b>		
At 31 December 1999	<u>2,682,571</u>	<u>2,682,571</u>
At 30 June 1998	<u>2,581,110</u>	<u>2,581,110</u>

**The Company**

	<b>Shares in subsidiary undertakings £</b>	<b>Other listed investments £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 1998	1,607,267	2,581,110	4,188,377
Additions	2	851,461	851,463
Provision for impairment	<u>—</u>	<u>(750,000)</u>	<u>(750,000)</u>
At 31 December 1999	<u>1,607,269</u>	<u>2,682,571</u>	<u>4,289,840</u>
<b>Net book value</b>			
At 31 December 1999	<u>1,607,269</u>	<u>2,682,571</u>	<u>4,289,840</u>
At 30 June 1998	<u>1,607,267</u>	<u>2,581,110</u>	<u>4,188,377</u>

The market value of the other listed investments, which are listed on the Australian Stock Exchange, was £2,028,843 at 31 December 1999 (£1,621,371 at 30 June 1998).

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**9. INVESTMENTS HELD AS FIXED ASSETS (continued)**

Details of the investments in subsidiary undertakings held by the company are as follows:

<b>Name of company</b>	<b>Country of operation</b>	<b>Country of incorporation</b>	<b>Holding</b>	<b>Percentage of shares and voting rights held</b>	<b>Nature of business</b>
Golden Prospect Mining Company Limited	Sierra Leone	Bermuda	Ordinary Shares	100	Mining & exploration
Golden Prospect Mining Company Guinea SARL	Guinea	Guinea	Ordinary Shares	90	Mining & exploration
Resource Securities Limited	British Virgin Islands	British Virgin Islands	Ordinary Shares	100	Mining concession Licence holders
Golden Prospect Mining Company Limited	UK	UK	Ordinary Shares	100	Dormant

**INVESTMENTS IN WHICH A PARTICIPATING INTEREST IS HELD**

<b>Name of company</b>	<b>Percentage of shares and voting rights held</b>
Samson Exploration NL	22.5
Geographe Resources Limited	35.76
Sapphire Mines NL	22.75

These investments have not been accounted for as associates as the company does not exercise significant influence over the operating and financial policies of those companies.

**10. INVESTMENTS HELD AS CURRENT ASSETS – GROUP AND COMPANY**

	<b>18 Months ended 31/12/99</b>	<b>Year ended 30/06/98</b>
Listed investments	£ <u>1,168,419</u>	£ <u>1,547,151</u>

The market value of the listed investments, which are variously listed on the Australian and Canadian Stock Exchanges, was £1,260,572 at 31 December 1999 (£1,565,982 at 30 June 1998).

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**11. DEBTORS**

**a) Amounts falling due after more than one year**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>18 months to 31/12/99</b>	<b>18 months to 31/12/99</b>	<b>Year ended 30/6/98</b>	<b>Year ended 30/6/98</b>
	£	£	£	£
Amounts owed by subsidiary undertakings	—	<u>2,155,524</u>	—	<u>1,926,638</u>

**b) Amounts falling due within one year**

	£	£	£	£
Other debtors	3,365	693	11,147	—
Prepayments and accrued income	<u>5,074</u>	<u>5,074</u>	<u>3,651</u>	<u>3,651</u>
	<u>8,439</u>	<u>5,767</u>	<u>14,798</u>	<u>3,651</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>18 months to 31/12/99</b>	<b>18 months to 31/12/99</b>	<b>Year ended 30/6/98</b>	<b>Year ended 30/6/98</b>
	£	£	£	£
Corporation tax	—	—	9,843	9,843
Other creditors	16,800	16,800	3,831	3,293
Accruals and deferred income	<u>3,204</u>	<u>2,428</u>	<u>40,045</u>	<u>35,250</u>
	<u>20,004</u>	<u>19,228</u>	<u>53,719</u>	<u>48,386</u>

**13. CALLED UP SHARE CAPITAL**

	<b>Number of Shares</b>			
	<b>18 months</b>	<b>Year</b>	<b>18 months</b>	<b>Year</b>
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>31/12/99</b>	<b>30/6/98</b>	<b>30/6/98</b>	<b>31/12/99</b>
	<b>30/6/98</b>			
<b>Authorised</b>				
Ordinary shares of 10p each	<u>150,000,000</u>	<u>150,000,000</u>	<u>£15,000,000</u>	<u>£15,000,000</u>
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 10p each	<u>49,195,000</u>	<u>48,120,000</u>	<u>£4,919,500</u>	<u>£4,812,000</u>

1,075,000 ordinary shares of 10p each with a total nominal value of £107,500 were allotted on 19 January 1999 at 29p per share for total consideration of £311,750 to provide working capital.

The total share capital following the share issue was accordingly increased to 49,195,000 ordinary 10p shares.

**NOTES TO THE ACCOUNTS**  
EIGHTEEN MONTHS ENDED 31 DECEMBER 1999

**14. SHARE OPTIONS**

The company has a share option scheme under which options to subscribe for the company's shares have been granted to the directors and other persons. The share options currently in existence were granted and are exercisable at 25p as follows:

<b>Date Granted</b>	<b>Number of Shares</b>	<b>Period Exercisable</b>
31 May 1996	900,000	Between 31 May 1998 and 30 May 2003
5 September 1996	100,000	Between 5 September 1998 and 4 September 2004
27 October 1997	<u>1,750,000</u>	Between 27 October 1998 and 26 October 2004
	2,750,000	

**15. CAPITAL COMMITMENTS**

There were no capital commitments as at 31 December 1999 or at 30 June 1998.

**16. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 1999 or at 30 June 1998.

**17. TRANSACTIONS WITH RELATED PARTIES**

Details of transactions with directors are given in note 4. Balances with group undertakings are disclosed in note 11.

**18. FINANCIAL INSTRUMENTS**

On 30 June 2000 the company agreed to acquire the CIBC Eyres Reed Australian Resources Fund as set out in the Chairman's Statement.



## NOTICE OF 2000 ANNUAL GENERAL MEETING

NOTICE is hereby given that the 2000 Annual General Meeting of the Company will be held at Munslow Messias, 1<sup>st</sup> Floor, 143-149 Great Portland Street, London on 31 July 2000 at 12 Noon to transact the following business of the Company:

1. Re-appointment of Directors  
1a To re-elect Malcolm Alec Burne as a Director, who is retiring by rotation  
1b To re-elect Neil Thacker MacLachlan as a Director, who is retiring by rotation.
2. To receive and adopt the Directors' report, financial statements and auditors' report for the period ended 31 December 1999.
3. To re-appoint Grant Thornton as auditors and to authorise the Directors to determine their remuneration.
4. As special business, to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

THAT the Director be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of Section 80 (2) of the Act) up to an aggregate nominal amount of £10,080,500; such authority shall, unless previously revoked or varied by the Company to be held in meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2001 provided that the Company may, at any time before such expiry, make any offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

5. As special business, to consider and, if thought fit to pass the following resolution which will be proposed as a Special Resolution.

THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") in substitution for all previous powers granted hereunder to allot equity securities up to an aggregate nominal amount of £10,080,5000 (within the meaning of Section 94 of the Act) for cash pursuant to the authority granted by resolution 4 above as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board  
Philippa Anne Keith

*Secretary*

30 June 2000

Notes

1. A member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and on a poll vote in his/her stead.
2. The instrument appointing and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such a power of authority must be deposited at the office of the registrars, Melton Registrars Limited, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 48 hours before the time appointed for the meeting. A form of proxy is enclosed.
3. There will be available for inspection at the registered office of the Company during usual business hours and any weekday from the date of this notice until the date of the meeting, and at the place of the meeting for 15 minutes prior to and during the meeting copies of director service agreements and particulars for the period up to 10 July 2000 of the transactions of each directors and so far as he can reasonably ascertain of persons connected to him (within the meaning of Section 346 of the Act) in the capital of the Company.