ATHOL GOLD LIMITED

(formerly Hameldon Resources Limited)

Annual Report and Financial Statements

For the year ended 31 December 2010

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COMPANY INFORMATION

DIRECTORS:	Jennifer Allsop (Chairman) Alastair Ford (Non-Executive Director) Robin Andrews (Non-Executive Director)
REGISTERED OFFICE:	Walkers SPV Limited Walker House Mary Street PO Box 908GT George Town Grand Cayman Cayman Islands
COMPANY NUMBER:	Incorporated in the Cayman Islands with registered number 141920
SECRETARY:	Walkers SPV Limited
NOMINATED ADVISER:	Libertas Capital Corporate Finance Limited 16 Berkeley Street London W1J 8DZ
BROKER:	Rivington Street Corporate Finance 3rd Floor 3 London Wall Buildings London Wall London EC2A 5SY
REGISTRARS:	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT
SOLICITORS:	Fladgate LLP 16 Great Queen Street London WC2B 5DG
AUDITORS:	Welbeck Associates Registered Auditor Chartered Accountants 31 Harley Street London W1G 9QS

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

Dear Shareholders,

I would like to introduce myself as your new Chairman and am pleased to announce the results of your Company for the year ended 31 December 2010 and other news. As most of the events mentioned occurred prior to my joining the board, I will provide an overview for 2010 and then give a guide to what we expect for 2011.

OVERVIEW

For the first nine months of the year the directors continued their search for suitable investment opportunities in the natural resources sector. Then in October 2010 the board decided to bring in a new management team and appointed Tom Winnifrith, manager of the SF t1ps Smaller Companies Gold Fund, as the Company's Chief Investment Officer with a mandate to invest in the shares of principally gold and precious metal companies quoted on stock exchanges in the UK, Canada and Australia, and at the same time the Gold Fund participated in a £500,000 fund raising by the Company. Then in November the Company raised an additional £670,000 through a private placing.

The Company's first investment was in Ascot Mining Plc ("Ascot ") via a subscription for £430,000 of convertible loan stock with attached warrants. Ascot Mining has a focus on gold production in Costa Rica, its flagship asset being the Chassoul Gold Mine, where gold production is targeted to reach 1,200 ounces per month in 2011. The market value of Athol's investment in Ascot at the year-end was £1.7 million.

FINANCIAL STATEMENTS

During the year Athol's net assets have grown from £318,000 to £2,512,000, and the net asset value per share has gone up by 278% from 0.23p to 0.64p. After allowing for the performance related investment management charge of £236,000 there has been a small reduction in overhead costs from £258,000 in 2009 to £247,000 for 2010. We expect there to be a much greater reduction in overhead costs in 2011.

PROSPECTS FOR 2011

Our largest investment remains Ascot Mining Plc. It continues to make progress both operationally and with its proposed move from Plus to AIM, which we believe will result in a material re-rating of its shares.

In February the Company made its second largest investment to date acting as a cornerstone investor in a £1.1 million placing by Ariana Resources Plc at 4.75p (each share coming with one warrant at 4.75p). Ariana is just over a year away from production and needs no further equity funding, so we are extremely optimistic about its prospects.

We remain positive about the outlook for gold prices, gold equities and our portfolio in particular. In addition to our two largest holdings, Ascot and Ariana, a number of our other investments are also entering exciting phases in their development. So far in 2011 the gold price has held up well but gold equities have performed poorly. However, as the gold price rises further and as M & A activity in the sector picks up we expect a substantial re-rating of mid cap gold equities which will inevitably boost your company's net asset value.

Jennifer Allsop, Chairman
16 June 2011

www.atholgold.com

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2010. The Company changed its name from Hameldon Resources Limited to Athol Gold Limited on 9 December 2010.

PRINCIPAL ACTIVITY

During the year the Company acted as an investment company in the natural resources sector.

BUSINESS REVIEW

A review of the business in the period and of future developments is given in the Chairman's statement on page 3.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the financial risk management objectives and policies are provided in note 14 to the financial statements.

RESULTS

The results of the Company are as shown on page 10. The Directors do not recommend the payment of a dividend.

POST BALANCE SHEET EVENTS

Since the balance sheet date the Company has issued further shares as follows:

Between 11 January and 18 January 2011, 54,000,000 shares were issued at 0.25p each as a result of the conversion of loan notes

Between 31 January and 3 February 2011, 72,996,988 shares were issued for cash at 0.83p each as the result of a private placing.

On 21 February 2011, 32,901,200 shares were issued at 1p each as a result of the conversion of loan notes

Also on 21 February 2011, 19,156,627 shares were issued at 0.83p each as a result of the conversion of loan notes

DIRECTORS

The Directors of the Company during the year and subsequently are set out below.

Stephen Smith
Waseem Shiraz (appointed 10 September 2010)
Alistair Ford (appointed 19 October 2010)
David Ketchum (resigned 19 October 2010)
Jane McGuire Ketchum (resigned 19 October 2010)
Ilyas Khan (resigned 15 December 2010)
Nikul Sarin (resigned 10 September 2010)

On 13 January 2011 Mr Robin Andrews was appointed a director and Mr Stephen Smith resigned as a director.
On 2 February 2011 Ms Jennifer Allsop was appointed a director and Mr Waseem Shiraz resigned as a director.

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

SUBSTANTIAL SHAREHOLDINGS

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 1 June 2011 were as follows:

	Ordinary shares of 0.25p each number	Percentage of capital %
SF t1ps Smaller Companies Gold Fund	113,413,970	19.75%
SF t1ps Smaller Companies Growth Fund	55,707,110	9.85%
TD Waterhouse Nominees (Europe) Limited	43,154,997	7.55%
Barclayshare Nominees Limited	42,183,183	7.38%
HSDL Nominees Limited (A/c IWEB)	33,159,399	5.80%
Hargreaves Lansdown (Nominees) Limited (A/c VRA)	19,941,335	3.49%
Hargreaves Lansdown (Nominees) Limited (A/c HLNOM)	19,329,344	3.38%
L R Nominees Limited	18,715,561	3.28%
HSDL Nominees Limited	17,755,741	3.11%
Jim Nominees Limited	17,151,496	3.00%

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company was incorporated as a corporation in the Cayman Islands, which does not prescribe the adoption of any particular accounting framework. Accordingly, the Board have resolved that the Company will follow applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs) when preparing its annual financial statements.

The Directors are responsible for the preparation of the Company's financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information held on the Company's website.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 3rd Floor, 3 London Wall Buildings, London Wall, London, EC2A 5SY, on 21 July 2011 at 10.00 am.

AUDITORS

The auditors Welbeck Associates, who were appointed following the resignation of Grant Thornton LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

For and on behalf of the Board

Jennifer Allsop
Director
16 June 2011

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

The requirements of the combined code of corporate governance are not mandatory for companies traded on AIM. However, the Directors recognise the importance of sound corporate governance and have adopted corporate governance principles which the Directors consider are appropriate for a company of its size.

BOARD OF DIRECTORS

The Board of Directors is responsible for the Company's system of corporate governance. It comprises an executive chairman, who holds the key operational position in the Company and two non-executive directors, whose role is to bring the benefit of their business experience and judgement to Board discussions and decisions. The Chairman of the Board is Jennifer Allsop.

The Board met regularly throughout the year. It has a schedule of matters referred to it for decision, which includes strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. Matters which would normally be referred to appointed committees, such as the audit and remuneration committees, are dealt with by the full Board.

INTERNAL CONTROL

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 30 June 2012 which assume no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity. The expenses of the Company's continuing operations are minimal and the cash flow forecasts demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

REPORT ON REMUNERATION

FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practice. The Company operates within a competitive environment and its performance depends on the effective contributions of the Directors and employees who are compensated accordingly.

DIRECTORS' REMUNERATION

The remuneration of the Directors was as follows:

	Year ending 31 December 2010			Year ending 31 December 2009		
	Salary and fees	Pension	Total	Salary and fees	Pension	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Alastair Ford	1	-	1	-	-	-
Waseem Shiraz	4	-	4	-	-	-
Ilyas Khan	13	-	13	14	-	14
Stephen Smith	13	-	13	15	-	15
David Ketchum	13	-	13	-	-	-
Jane Ketchum	11	-	11	12	-	12
Shahed Mahmood	-	-	-	6	-	6
Nikul Sarin	12	-	12	7	-	7
	67	-	67	54	-	54

PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2010, or for the year ended 31 December 2009.

BENEFITS IN KIND

The Directors do not receive any benefits in kind.

BONUSES

There were no bonuses payable either for the year ended 31 December 2010, or for the year ended 31 December 2009.

SHARE OPTION INCENTIVES

The Company has a share incentive plan in place, the terms of which were ratified on 17 January 2007. Directors held options as follows. Further details of options are disclosed in note 13.

	At beginning of year	Granted in period	Cancelled in period	At end of period	Exercise price
Waseem Shiraz	-	1,829,268	-	1,829,268	0.82p
Alastair Ford	-	1,829,268	-	1,829,268	0.82p

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ATHOL GOLD LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Athol Gold Limited (formerly Hameldon Resources Limited.) for the year ended 31 December 2010 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at: www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the Company's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union.

Jonathan Bradley-Hoare
Senior Statutory Auditor
for and on behalf of Welbeck Associates
Statutory Auditor, Chartered Accountants

31 Harley Street
London
W1G 9QS

17 June 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Continuing operations:			
Net gains on disposal of investments		23	-
Change in fair value of investments		1,525	-
Total income		1,548	-
Operating expenses		(483)	(258)
Operating profit	3	1,065	(258)
Finance cost		(2)	-
Profit/(loss) before taxation		1,063	(258)
Taxation expense	5	-	-
Profit/(loss) from continuing operations		1,063	(258)
Discontinued Operations:			
(Loss) from discontinued operations	6	-	(16,770)
Profit/(loss) for the year and total comprehensive income, attributable to owners of the Company		1,063	(17,028)
Earnings/(loss) per share attributable to owners of the Company during the year	7	pence	pence
Basic:			
Continuing operations		0.62	(0.19)
Discontinued operations		-	(12.20)
Total		0.62	(12.39)
Diluted:			
Continuing operations		0.56	(0.19)
Discontinued operations		-	(12.20)
Total		0.56	(12.39)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
CURRENT ASSETS			
Financial assets	8	**2,869**	-
Trade and other receivables	9	**28**	16
Cash and cash equivalents		**42**	462
		2,939	478
CURRENT LIABILITIES			
Trade and other payables	10	**290**	160
		290	160
NET CURRENT ASSETS		**2,649**	318
NON-CURRENT LIABILITIES			
Convertible unsecured loan notes	11	**137**	-
		137	-
NET ASSETS		**2,512**	318
EQUITY			
Share capital	12	**981**	343
Share premium		**2,838**	2,391
Loan note equity reserve	11	**45**	-
Capital reserve		**15,736**	15,736
Retained earnings		**(17,088)**	(18,152)
Equity attributable to owners of the Company and total equity		**2,512**	318

The financial statements were approved by the Board and authorised for issue on 16 June 2011.

Jennifer Allsop
Director

Alastair Ford
Director

The accompanying notes form an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital £'000	Share premium £'000	Loan note reserve £'000	Capital reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2009	343	2,391	-	15,736	(1,174)	17,296
Loss for the year	-	-	-	-	(17,028)	(17,028)
Total comprehensive income for the year	-	-	-	-	(17,028)	(17,028)
Share based payments	-	-	-	-	50	50
At 31 December 2009	343	2,391	-	15,736	(18,152)	318
Profit for the year	-	-	-	-	1,063	1,063
Total comprehensive income for the year	-	-	-	-	1,063	1,063
Share based payments	-	-	-	-	1	1
Issue of loan notes	-	-	45	-	-	45
Share issues	638	505	-	-	-	1,143
Share issue expenses	-	(58)	-	-	-	(58)
At 31 December 2010	981	2,838	45	15,736	(17,088)	2,512

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £'000	2009 £'000
OPERATING ACTIVITIES		
Continuing operations:		
Profit/(Loss) before taxation	1,063	(258)
Adjustments for:		
Share based payment charge	1	50
Profit on disposal of trading investments	(23)	-
Fair value gain on trading investments	(1,525)	-
Finance costs	2	
Operating cashflow before working capital changes	(482)	(208)
(Decrease) in trade and other receivables	(12)	(2)
Increase/(decrease) in trade and other payables	130	(339)
Net cash outflow from operating activities from continuing operations	(364)	(549)
Discontinued operations:		
Net cash flow from operating activities from discontinued operations	-	-
Net cash outflow from operating activities	(364)	(549)
INVESTING ACTIVITIES		
Continuing operations:		
Purchases of investments	(1,548)	-
Disposals of investments	227	-
Net cash outflow from investing activities from continuing operations	(1,321)	-
Discontinued operations:		
Net cash inflow from investing activities from discontinued operations	-	1,006
Net cash (outflow)/inflow from investing activities	(1,321)	1,006
FINANCING ACTIVITIES		
Continuing operations:		
Proceeds from share issues	1,143	-
Share issue expenses	(58)	-
Proceeds from issue of convertible loan notes	180	-
Net cash inflow from financing activities from continuing operations	1,265	-
Net (decrease)/increase in cash and cash equivalents	(420)	457
Cash and cash equivalents as at 1 January	462	5
Cash and cash equivalents as at 31 December	42	462

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1 GENERAL INFORMATION

The Company was incorporated as a Corporation in the Cayman Islands which does not prescribe the adoption of any particular accounting framework. The Board has therefore adopted International Financial Reporting Standards as adopted by the European Union (IFRSs). The Company's shares are listed on the AIM market of the London Stock Exchange.

The Company is an investment company, investing in natural resources, minerals, metals, and oil and gas projects. The registered office of the Company is as detailed in the Company Information on page 2.

2 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention except for the fair value of certain financial instruments. The principal accounting policies of the Company are set out below.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 30 June 2012 which assume no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity. The expenses of the Company's continuing operations are minimal and the cash flow forecasts demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company’s financial statements.

STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards as adopted by the European Union. At the date of authorisation of these financial statements, the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not been adopted by the EU):

		Effective for accounting periods beginning on or after:
IAS 1 (amendment)	Presentation of financial statements – clarification of statement of changes in equity	1 January 2011
IAS 24 (revised)	Related Party Disclosures	1 January 2011
IAS 32 (amendment)	Financial instruments: Presentation - Classification of Rights Issues	1 February 2010
IAS 34 (amendment)	Interim financial reporting – significant events and transactions	1 January 2011
IFRS 7 (amendment)	Financial instruments – clarification of disclosures	1 January 2011
IFRS 7 (amendment)	Financial instruments – disclosures about transfers of financial assets	1 July 2011
IFRS 9	Financial Instruments – classification and measurement	1 January 2013
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company when the relevant Standards come into effect for periods commencing on or after 1 January 2011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2 PRINCIPAL ACCOUNTING POLICIES (continued)

KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources:

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

FINANCIAL ASSETS

Financial assets are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company's financial assets are classified into the following specific categories: 'investments at fair value through profit and loss', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets, as represented in the balance sheet, are investments held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which provides the proceeds of sale less any transaction cost. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2 PRINCIPAL ACCOUNTING POLICIES (continued)

EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The loan note reserve represents the value of the equity component of the nominal value of the loan notes issued.

The capital reserve represents amounts arising in connection with reverse acquisitions.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income together with the cumulative amount of share based expenses transferred to equity.

FINANCIAL LIABILITIES

Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Company's financial liabilities comprise convertible loan notes, and trade and other payables.

The fair value of the liability portion of the convertible loan notes is determined using a market interest rate for an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

SHARE BASED PAYMENTS

All share based payment arrangements, granted after 7 November 2002 and not vested on 6 January 2005, are recognised in the financial statements. The Company operates equity settled share based remuneration plans for the remuneration of its employees.

All services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share based payments are ultimately recognized as an expense in the income statement with a corresponding credit to retained earnings in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognized in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2 PRINCIPAL ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Company's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Company's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The directors consider that it would not be appropriate to disclose any geographical analysis of the Company's investments.

DISCONTINUED OPERATIONS

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3 OPERATING PROFIT

	2010 £'000	2009 £'000
Profit/(loss) from operations is arrived at after charging/(crediting):		
Investment management fee	**236**	-
Foreign exchange losses	**-**	29
Auditors' remuneration:		
- fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	**15**	15

4 EMPLOYEE REMUNERATION

The expense recognised for employee benefits is analysed below:

	2010 £'000	2009 £'000
Wages and salaries	67	54
Share based payment charge	1	50
	68	104

Details of Directors' employee benefits expense are included in the Report on Remuneration on page 8.
Remuneration for key management of the Company, including amounts paid to Directors of the Company, is as follows:

	2010 £'000	2009 £'000
Short-term employee benefits	67	54
Share based payment charge	1	50
	68	104

5 TAXATION

No provision has been made in respect of current taxation or deferred taxation as the Company is domiciled in the Cayman Islands and no corporation tax is applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

6 LOSS FROM DISCONTINUED OPERATIONS

On 27 October 2009, the Company disposed of its entire shareholding in its subsidiary undertakings, which were engaged in the business of marketing and public relations, for a gross consideration of US$1,100,000, being cash consideration of US$900,000 plus US$200,000 of liabilities which were assumed by the buyer. The loss from the Company's investment in subsidiary undertakings is made up as follows:

	2010 £'000	2009 £'000
Dividend income received	**-**	527
Loss on disposal of subsidiary undertakings	**-**	(17,297)
	-	(16,770)

7 EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2010 £'000	2009 £'000
Profit/(loss) attributable to owners of the Company		
- Continuing operations	**1,063**	(258)
- Discontinued operations	**-**	(16,770)
	1,063	(17,028)

	2010	2009
Weighted average number of shares for calculating basic earnings per share	**171,156,251**	137,401,194
Weighted average number of shares for calculating fully diluted earnings per share	**190,070,885**	137,401,194

	2010 pence	2009 pence
Basic earnings/(loss) per share		
- Continuing operations	**0.62**	(0.19)
- Discontinued operations	**-**	(12.20)
	0.62	(12.39)
Fully diluted earnings/(loss) per share		
- Continuing operations	**0.56**	(0.19)
- Discontinued operations	**-**	(12.20)
	0.56	(12.39)

The diluted loss per share for 2009 was the same as the basic loss per share as the effect of exercise of the outstanding share options, which were cancelled in October 2009, was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

8 FINANCIAL ASSETS

	2010	2009
	£'000	£'000
Level 1 - Quoted investments:		
At beginning of year	**-**	-
Cost of share purchases	**1,498**	-
Proceeds of share disposals	**(227)**	-
Profit on disposal of shares	**14**	-
Fair value adjustment	**1,534**	-
At end of year	**2,819**	-
Level 3 - Unquoted investments:		
At beginning of year	**-**	-
Cost of share purchases	**50**	-
At end of year	**50**	-
Total financial assets at end of year	**2,869**	-

The Company has adopted fair value measurements using the IFRS 7 fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market criteria.

9 TRADE AND OTHER RECEIVABLES

	2010	2009
	£'000	£'000
Other receivables	**17**	-
Prepayments	**11**	16
Total	**28**	16

The fair value of trade and other receivables is considered by the Directors not to be materially different to carrying amounts.

At the balance sheet date in 2010 and 2009 there were no trade receivables past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

10 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Trade payables	**30**	-
Other payables	**2**	136
Accrued charges	**258**	24
Total	**290**	160

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

11 CONVERTIBLE UNSECURED LOAN NOTES

The convertible loan notes were issued in October. They are zero coupon and unsecured. Unless previously purchased, redeemed or converted they are redeemable at their principal amount on 31 October 2015.

The net proceeds from the issue of the loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company as follows:

	2010 £'000	2009 £'000
Nominal value of convertible loan notes issued	**180**	-
Equity component	**(45)**	-
	135	-
Interest charged	**2**	-
Liability component at 31 December	**137**	-

The interest charged during the period is calculated by applying an effective average interest rate of 10% to the liability component for the period since the loan notes were issued.

The Directors estimate the fair value of the liability component of the loan notes at 31 December 2010 to be approximately £135,000. This fair value has been calculated by discounting the future cash flows at the market rate of 10%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

12 SHARE CAPITAL

	Number of ordinary shares	Value £'000
Authorised (par value of 0.25p):		
At 31 December 2009 and 31 December 2010	4,000,000,000	10,000
Issued and fully paid (par value of 0.25p each):		
At 31 December 2009	137,401,194	343
Shares issued in year	254,883,672	638
At 31 December 2010	392,284,866	981

On 26 October 2010, 27,480,000 shares were issued at 0.25p each for cash, as a result of a private placing.

On 22 November 2010, 15,217,008 shares were issued at 1p each in lieu of directors fees.

On 25 November 2010, 80,000,000 shares were issued at 0.25p each as a result of the conversion of loan notes.

On 2 December 2010, 111,666,664 shares were issued at 0.6p each for cash as the result of a private placing.

Between 17 December and 22 December 2010, a total of 20,520,000 shares were issued at 0.25p each as a result of the conversion of loan notes.

13 SHARE OPTIONS

The Company adopted an employee Share Option Scheme in order to incentivise key management and staff. The fair value of options granted was determined using Black-Scholes valuation models. Significant inputs into the calculations were as follows:

- 15% volatility based on expected share price (ascertained by reference to historic share prices of the Company for the 12 months prior to the date of grant)
- share price of 0.82p per share at date of grant of options
- exercise price of 0.82p per share
- a risk free interest rate of 3.5%
- 0% dividend yield
- estimated option life of five years.

The Company had 5,487,804 options outstanding at the end of 2010 (2009: Nil). The share based payment charge for the year was £1,000 (2009: £50,000). The options outstanding at the year-end vest on the third anniversary of the date of grant and if not previously exercised lapse on the tenth anniversary of the date of grant.

The movements on share options and their weighted average exercise price are as follows:

	2010		2009	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at 1 January	**-**	**-**	13,677,084	13.32
Granted	**5,487,804**	**0.82**	-	-
Lapsed	**-**	**-**	-	-
Cancelled	**-**	**-**	(13,677,084)	(13.32)
Outstanding at 31 December	**5,487,804**	**0.82**	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

14 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated by the board of directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

MARKET PRICE RISK
The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 5% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £143,000 (2009: £Nil).

FOREIGN CURRENCY RISK
The Company's exposure to foreign currencies is limited to its investments which are quoted on overseas stock markets and is not material.

CREDIT RISK
The Company's financial instruments, that are subject to credit risk, are considered to be cash and cash equivalents and trade and other receivables, and its exposure to credit risk is not material. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks.

The Company's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2010	2009
	£'000	£'000
Trade and other receivables	**17**	-
Cash and cash equivalents	**43**	462
	60	462

LIQUIDITY RISK
Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Company's payment obligations arising from administrative expenses. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with minimal risk.

CAPITAL RISK MANAGEMENT
The Company's objectives when managing capital are:

- to safeguard the Company 's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Company 's growth; and
- to provide capital for the purpose of strengthening the Company 's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

15 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS BY CATEGORY

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	2010 £'000	2009 £'000
Financial assets:		
Cash and cash equivalents	**43**	462
Investments held at fair value through profit and loss	**2,869**	-
Loans and receivables:		
Other receivables	**17**	-
	2,929	462

FINANCIAL LIABILITIES BY CATEGORY

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	2010 £'000	2009 £’000
Financial liabilities at amortised cost:		
Convertible unsecured loan notes	**137**	-
Trade and other payables	**32**	136
	169	136

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2010 or 31 December 2009.

17 POST BALANCE SHEET EVENTS

Since the balance sheet date the Company has issued further shares as follows:

Between 11 January and 18 January 2011, 54,000,000 shares were issued at 0.25p each as a result of the conversion of loan notes

Between 31 January and 3 February 2011, 72,996,988 shares were issued for cash at 0.83p each as the result of a private placing.

On 21 February 2011, 32,901,200 shares were issued at 1p each as a result of the conversion of loan notes

Also on 21 February 2011, 19,156,627 shares were issued at 0.83p each as a result of the conversion of loan notes

18 RELATED PARTY TRANSACTIONS

The chief investment officer and investment manager of the Company are also responsible for the investment management of SF t1ps Smaller Companies Gold Fund and SF t1ps Smaller Companies Growth Fund, which have major shareholdings in the Company, as detailed in the Directors’ report. The fee due to t1ps Investment Management in respect of 2010 was £236,000 which has been charged in the Income Statement and included in accrued expenses at the year-end. There was no equivalent amount in 2009.

In February 2011 £329,012 convertible loan notes (convertible at 1p per share) were issued to t1ps Investment Management (IOM) Ltd in settlement of fees due for the period to 25 January 2011.

Rivington Street Corporate Finance Limited, an associated company of t1ps Investment Management (IOM) Ltd, charged the Company £1,000 for broking services in respect of 2010. There was no equivalent amount in 2009.