

**IBC No. 29457**

**U.S. MASTERS HOLDINGS LIMITED**  
**Annual Report including Financial Statements**  
**for the year ended 30 June 2010**

**Australian Registered Body Number 052 123 930**  
**Incorporated in the British Virgin Islands**

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**U.S. MASTERS HOLDINGS LIMITED**

**Financial Statements  
for the year ended 30 June 2010**

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## **U.S. MASTERS HOLDINGS LIMITED**

### **Fund Directory**

#### **BOARD OF DIRECTORS**

Gordon Galt (Chairman) (appointed 1 July 2010)  
Michael Davies (appointed 1 July 2010)  
James Beecher (appointed 1 July 2010)  
Geoffrey Pigott (appointed 1 July 2010)

Hubert R. Marleau (Chairman) (resigned 1 July 2010)  
J. Randolph Updyke (CEO) (resigned 1 July 2010)  
M. Carol Updyke (resigned 1 July 2010)

#### **SECRETARY**

Phillip Madden (appointed 1 July 2010)  
Equity Trust (BVI) Limited

#### **SHARE REGISTRARIES**

Equity Trust (BVI) Limited  
P.O. Box 438  
Palm Grove House  
Road Town, Tortola  
British Virgin Islands  
Telephone: (284) 494-2616

Computershare Registry Services Pty Limited  
Yarra Falls, 452 Johnston Street,  
Abbotsford, Victoria 3067  
Australia  
Telephone: (613) 9415-4000

#### **REGISTERED OFFICES**

Equity Trust (BVI) Limited (Registered Agent)  
P.O. Box 438  
Palm Grove House  
Road Town, Tortola  
British Virgin Islands  
Telephone: (284) 494-2616

Suite 2 Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia  
Telephone: (612)8314 5580

WEBSITE:[www.usmasters.com](http://www.usmasters.com)

## **U.S. MASTERS HOLDINGS LIMITED**

### **Review of Operations**

**For the year ended 30 June 2010**

Expressed in U.S. Dollars

The net asset value of U. S. Masters Holdings Limited was \$629,545 as at 30 June 2010, \$747,303 30 June 2009.

The net asset value per share was \$0.26 as at 30 June 2010, \$0.31 30 June 2009.

The loss for the year was \$117,758, \$241,268 30 June 2009.

There was no dilution and no share buybacks during the year.

The expenses associated with operating the Fund continued to be the most significant feature contributing to the operating performance.

The Investment Manager continued to convert the Fund from equities into cash during the year so that at 30 June 2010 the Fund was fully invested in cash. The control of the Company changed on 1 July 2010 with the resignation of the then directors, Mr H.R. Marleau, Mr J.R. Updyke III, Mrs Carol Updyke and of the then Investment Manager, Mr J.R Updyke III and the appointment of incoming directors Messrs G. Galt, Chairman, G. Pigott, J. Beecher and M. Davies. The incoming Directors intend to continue the current business of the Company including the investment in equities.

The financial reports have been compiled using International Financial Reporting Standards.

The financial statements are expressed in U.S. Dollars and have been rounded to the nearest thousand Dollars.

## U.S. MASTERS HOLDINGS LIMITED

### Directors' Report for the year ended 30 June 2010

Expressed in U.S. Dollars

The directors present their report together with the financial statements of U.S. Masters Holdings Limited (the "Fund") for the financial year ended 30 June 2010.

#### Board of Directors

The names of the Directors of the Company during or since the end of the financial year are:

#### **Mr. Gordon Galt G.Eng. (Mining, Hons), BComm, GDip AppFin (Finsia), MAusIMM, MAICD**

##### **– Non-Executive Chairman– appointed 1 July 2010**

Gordon is a senior mineral resources executive and an experienced Director with international mineral industry experience. During his career, Gordon has worked in senior management, technical and operational roles across a wide range of commodities, primarily in gold, coal, magnesium and copper/lead/zinc. Gordon is by training, a mining engineer with post-graduate qualifications in finance. Both degrees are from the University of Queensland. During the past ten years Gordon has worked mainly as the Managing Director of companies engaged in the development and operation of large resource projects, and he has also spent a period of time in banking. Gordon is currently engaged in funds management and corporate advisory work. He is a director of Aquila Resources Ltd, Navigator Resources Ltd, Discovery Metals Ltd and NuCoal Resources NL.

#### **Mr. Michael Davies BA Hons, MBA**

##### **– Non-Executive Director – appointed 1 July 2010**

Michael is a specialist in resource financing, with over 20 years experience in major banks (Barclays, BZW and ABN AMRO) originating, structuring and arranging debt and providing corporate advice to natural resources companies. His experiences encompass iron ore, coal, gold, base and precious metal, industrial mineral, petrochemical, oil and gas projects in Africa, Australia, Papua New Guinea, Europe, North America and Asia. Michael is currently engaged in funds management and corporate advisory work. He is a non executive director of NuCoal Resources NL.

#### **Geoff Pigott BA (Hons) Geology, MA. MAIG**

##### **Non-Executive Director– appointed 1 July 2010**

Geoff has had 40 years experience as a professional geologist since graduating from Trinity College Dublin. He has worked in Europe, South Africa and Australia with a number of major mining companies including the Rio Tinto Group, Anglo-American, Freeport McMoran, Newmont and Newcrest Mining. He has experience of the gold, coal and base metal industries in a career that encompasses mineral exploration, resource development and mining. Recent positions include the position of Manager – Exploration and Development with Eagle Mining Corporation Limited, Chief Geologist with Kinross Gold Australia and Head of Exploration for ASX listed company Aquila Resources Limited, a position he held from 2003 until 2008 during which time Geoff assembled Aquila's extensive portfolio of coking coal, iron ore and manganese projects in Australia and Southern Africa.

#### **Mr. James David Beecher B.Com, MBA, FCPA, FAICD**

##### **– Non-Executive Director – appointed 1 July 2010**

James has over 30 years experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. James has been Chief Financial Officer or Finance Director of NRMA Limited, Savage Resources Limited and Austen & Butta Limited. He held senior accounting positions with the Commonwealth Bank including Group Financial Controller and Group Chief Accountant. He is currently a Director of ASX listed MIL Resources Limited and NuCoal Resources NL. He has recently been a Nonexecutive Director of Findlay Securities Limited and Company Secretary of Gloucester Coal Limited. He is Deputy Chair of the Australian Institute of Company Directors Reporting Committee and was a member of the Urgent Issues Group of the Australian Accounting Standards Board.

J. Randolph Updyke B.A. P.R.L. (CEO) - Director since January 1991, resigned 1 July 2010

Mr Updyke has been engaged in the investment advisory business for over twenty-five years. He is general partner and investment advisor of Updyke Associates, an investment partnership.

M. Carol Updyke - Director since April 1999, resigned 1 July 2010

Mrs Updyke is a principal of the Clayworks, a pottery operation in Charleston, South Carolina.

Hubert R. Marleau (Chairman) - Director since May 1998, resigned 1 July 2010

Mr Marleau is president of Palos Capital Corporation.

### **Corporate Governance**

The board of directors of the Fund are as stated above.

The criteria for board membership and the selection of appropriate members of the board is considered by the board itself. Election and rotation of directors is governed by the Articles of Association of the Fund.

Directors have the right to seek independent professional advice in the furtherance of their duty, and this may be at the Fund's expense, subject to prior approval by the board.

The board has no remuneration, audit or other committees as, given the size of the Fund and board, this is not considered appropriate.

The board reviews risks associated with the Fund and implements procedures to manage such risks. It develops policies regarding the establishment and maintenance of appropriate ethical standards.

### **Audit Committee**

The Fund does not have an audit committee as at the date of this directors' report. Given the size of the Fund and the board, a separate committee cannot be justified on a cost benefit analysis or otherwise.

The Company has followed the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of its business.

The Fund has on issue (not including shares held as treasury stock) only 2,429,826 shares and a total net tangible assets of less than US\$1million. The business of the Fund is investment in securities. The income returned from that investment has in the last two years been insufficient to cover costs including listing fees, audit and legal fees and this notwithstanding that:

## U.S. MASTERS HOLDINGS LIMITED

### Directors' Report (continued) for the year ended 30 June 2010

Expressed in U.S. Dollars

- In 2009/10 the Fund paid directors fees of only US\$1,250 and in 2008/9 US\$2,500.
- Mr Updyke who has the investment mandate from the Fund has waived management fees, effective since 1 July 2004.

With a Board of only 3 members at 30 June 2010 appointments of committees would not seem to advance the principles of the ASX Corporate Governance Council. Further, the implementation of certain recommendations involve the expense of formulating, for example codes, which again would not in the circumstances advance the principles. The board periodically monitors and evaluates their performance as a board and individually.

The Fund has no employees or management apart from the Board.

At 30 June 2010 Mr J Randolph Updyke is the only non independent Director.

The Fund has not yet followed the following recommendations for the reasons given above:

#### Principle 1

Recommendations 1.1 (Respective roles and responsibility of board and management) and 1.2 (Process for evaluating the performance of senior executives). The board exercises all roles and responsibilities.

#### Principle 2

Recommendations 2.4 (Nomination committee) and 2.5 (Evaluation of performance)

#### Principle 3

Recommendations 3.1 (Code of conduct) and 3.2 (Trading policy)

#### Principle 4

Recommendations 4.1, 4.2 and 4.3 (Audit committee)

#### Principle 5

Recommendation 5.1 (Written policies compliance ASX Listing Rules)

#### Principle 6

Recommendation 6.1 (Additional shareholder communication)

#### Principle 7

Recommendations 7.2 (Require management to design and implement risk management) and 7.3 (Section 295A CEO assurance)

#### Principle 8

Recommendations 8.1 and 8.2 (Remuneration committee)

## U.S. MASTERS HOLDINGS LIMITED

### Directors' Report (continued) for the year ended 30 June 2010

Expressed in U.S. Dollars

#### Principal Activity

The principal activity of the Fund during the financial year was investment, and no significant change in the nature of that activity has occurred during the year.

#### Result

The operating loss of the Fund after income tax for the year was \$117,758 (2009: loss: \$241,268).

#### Dividends

No dividends were paid during the year and no dividend is recommended.

#### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company.

#### Significant Post Balance Dates Events

The control of the Company changed on 1 July 2010 with the resignation of the then directors, Mr H.R. Marleau, Mr J.R. Updyke III, Mrs Carol Updyke and of the then Investment Manager, Mr J.R Updyke III and the appointment of incoming directors Messrs G. Galt, Chairman, G. Pigott, J. Beecher and M. Davies. The incoming Directors intend to continue the current business of the Company including the investment in equities.

#### Directors' Benefits and Interests in Contracts or Proposed Contracts with the Fund

Since the end of the previous financial year, no director of the Fund has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of directors' remuneration shown in the financial statements, by reason of a contract made by the Fund or a related corporation with a director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

#### Directors' Interests in Shares of the Fund as at 30 June 2010

	Beneficial	Non-Beneficial
Mr J.R. Updyke	1,182,450	-
Mrs M.C. Updyke	169,100	-

#### Currency and Rounding

The financial statements are expressed in U.S. Dollars and have been rounded to the nearest thousand Dollars. This report is made in accordance with a resolution of the Board and is signed for and on behalf of the directors.



J Beecher  
Director

29 September 2010

## U.S. MASTERS HOLDINGS LIMITED

### Statement of Operations and Accumulated Deficit for the year ended 30 June 2010

Expressed in thousand of U.S. Dollars

	Note	2010 \$000	2009 \$000
<b>Investment income</b>			
Net realised gain /(loss) on sale of investments		82	(139)
Net change in unrealised gain on investments	3	(44)	(39)
Interest and dividend income (net of withholding taxes)	4	2	5
<b>Total investment income</b>		<u>40</u>	<u>(173)</u>
<b>Expenses</b>			
Directors' fees		1	3
Legal and professional fees		156	64
Sundry expenses		1	1
<b>Total expenses</b>		<u>158</u>	<u>68</u>
<b>(Loss)/profit for the year</b>		(118)	(241)
Opening accumulated deficit		(12,122)	(11,881)
Closing accumulated deficit		<u>(12,240)</u>	<u>(12,122)</u>
Profit/(loss) per share (Dollars)		<u>(0.05)</u>	<u>(0.10)</u>

The Fund has no recognised gains or losses in the year other than those passing through the Statement of Operations and Accumulated Deficit presented above.

**U.S. MASTERS HOLDINGS LIMITED**

**Statement of Net Assets and Shareholders' Interests**

**At 30 June 2010**

Expressed in thousands of U.S. Dollars

	Note	2010 \$000	2009 \$000
<b>Assets</b>			
Cash and cash equivalents		656	436
Investments		-	329
Other Assets		-	4
<b>Total assets</b>		<u>656</u>	<u>769</u>
<b>Liabilities</b>			
Accrued expenses		26	21
<b>Total liabilities</b>		<u>26</u>	<u>21</u>
<b>Net assets</b>		<u>630</u>	<u>748</u>
<b>Total shareholders' interests</b>			
2,429,826 (2009:2,429,826) ordinary shares			
with a par value of \$0.50 per share	5	1,215	1,215
Share premium reserve	6	11,655	11,655
Accumulated deficit		(12,240)	(12,122)
<b>Total shareholders' interests</b>		<u>630</u>	<u>748</u>
<b>Net asset value per share (Dollars excluding treasury stock)</b>		<u>0.26</u>	<u>0.31</u>

The financial statements on pages 7 to 15 were approved by the Board of Directors and signed on 29 September 2010 on their behalf by:



J Beecher  
Director

**U.S. MASTERS HOLDINGS LIMITED**

**Statement of Cash Flows  
for the year ended 30 June 2010**

Expressed in thousands of U.S. Dollars

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>Operating activities</b>		
Purchase of investments	(404)	(2,479)
Proceeds from sale of investments	774	2,685
Interest and dividends received	2	5
Expenses paid	(152)	(84)
	<u>220</u>	<u>127</u>
Cash flows from operating activities	220	127
Net increase/(decrease) in cash and cash equivalents	436	309
Cash and cash equivalents at beginning of year	<u>656</u>	<u>436</u>
Cash and cash equivalents at end of year	=====	=====
Cash and cash equivalents comprise:		
Money market funds	656	436
Cash and cash equivalents	<u>656</u>	<u>436</u>
	=====	=====

**U.S. MASTERS HOLDINGS LIMITED**

**Statement of Investments  
at 30 June 2010**

Expressed in thousands of U.S. Dollars

	<b>2010 \$000</b>
Equities	0
Cash and Cash Equivalents	656

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## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements for the year ended 30 June 2010

Expressed in thousands of U.S. Dollars

#### 1. THE FUND

##### (a) General information

U.S. Masters Holdings Limited (the "Fund") was incorporated under the laws of the British Virgin Islands on 14 May 1990 under the International Business Companies Act (Cap. 291). The liability of the members is limited by shares. The Fund maintains its Registered office in the British Virgin Islands. The Fund is a closed-end investment company.

The financial statements are presented in thousands of United States Dollars.

The Fund was formed as an investment company to permit shareholders to participate in the accumulation of capital on a pooled basis.

##### (b) Investment advisory fees

Under the terms of an Investment Advisory Agreement dated 1 January 1998, J. Randolph Updyke has agreed to provide investment advisory services to the Fund.

As compensation for his services, J. Randolph Updyke receives from the Fund:

- i) a management fee payable semi-annually equal to 0.5% (1% annualised) of the Fund's Net Asset Value at the end of such semi-annual period; and,
- ii) an incentive fee payable equal to 20% of the appreciation, if any, in Net Asset Value on a fiscal year basis.

However Mr J. Randolph Updyke has agreed to waive his management fees effective 1 July 2004.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Fund's financial statements are set out below:

##### (a) Basis of preparation

The financial statements of U.S. Masters Holdings Limited have been prepared in accordance with International Financial Reporting Standards. They have been prepared under the historical cost accounting convention and, except where stated, do not take into account changes in either the general purchasing power of the Dollar or in the prices of specific assets.

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2010

Expressed in thousands of U.S. Dollars

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(b) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks and brokers with maturities of three months or less.

**(c) Investments**

Investments are carried at market value. Any increases or decreases in carrying values are recognised in the statement of operations and accumulated deficit as an unrealised gain or loss.

Investments in securities and securities sold short traded on a United States national securities exchange are valued at the last reported sales price on the day of valuation or, if there has been no sale on such exchange on the date on which valuation is being made, then at the mean between the closing bid and asked prices on such exchange on such date.

Securities traded in the over-the-counter market are valued at the last sales price if the security is reported by NASDAQ's System, or, if not reported, at the mean between the last bid and asked prices. Restricted securities and other securities for which quotations are not readily available are valued at fair value as determined in good faith by the Investment Manager.

**(d) Investment transactions and income recognition**

Investment transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis.

Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

**(e) Foreign currency**

Transactions in currencies other than the Fund's reporting currency are converted at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities, other than those covered by forward exchange contracts are translated at the rate of exchange ruling at the reporting date. Resulting exchange differences are recognised in the result for the year.

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## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2010

Expressed in thousands of U.S. Dollars

#### 3. NET CHANGE IN UNREALISED GAIN ON INVESTMENTS

	<b>2010</b> <b>\$000</b>	<b>2009</b> <b>\$000</b>
Market value of investments	-	329
Investments at average cost	-	285
	<hr/>	<hr/>
Closing unrealised gain on investments	-	44
Opening unrealised (loss)/ gain on investments	44	83
	<hr/>	<hr/>
Net change in unrealised (loss)/ gain on investments	(44)	(39)
	<hr/> <hr/>	<hr/> <hr/>

#### 4. TAXATION

The Fund is exempt from all forms of taxation in the British Virgin Islands and Australia including income, capital gains and withholding taxes. United States withholding tax has been deducted at source on certain dividends and interest paid, with respect to securities of United States issuers, at the rate of 30% of gross income. There are no other taxes applicable to the Fund.

#### 5. SHARE CAPITAL

	<b>2010</b> <b>\$000</b>	<b>2009</b> <b>\$000</b>
<b>Authorised</b>		
1,000,000,000 ordinary shares of \$0.50 par value each	500,000	500,000
	<hr/>	<hr/>
<b>Issued and fully paid</b>		
53,036,510 (2009: 53,036,510) ordinary shares of \$0.50	26,518	26,518
Treasury stock:		
Opening balance (50,606,684 shares, 2009: 50,606,684 shares)	25,303	25,303
Acquired during the year (Nil shares, 2009: Nil shares)	0	0
	<hr/>	<hr/>
Closing balance (50,606,684 shares, 2009: 50,606,684 shares)	25,303	25,303
	<hr/>	<hr/>
Net share capital (2,429,826 shares, 2009: 2,429,826 shares)	1,215	1,215
	<hr/> <hr/>	<hr/> <hr/>

Each ordinary share carries the right to one vote at annual and general meetings and is entitled to participate in any dividends or other distributions of the Fund.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2010

Expressed in thousands of U.S. Dollars

#### 6. SHARE PREMIUM RESERVE

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
Gross premium on issue of shares	37,965	37,965
Transfer to Redomicile Reserve - 1991	(25,000)	(25,000)
Net premium on purchase of treasury stock	(1,310)	(1,310)
	<hr/>	<hr/>
Opening balance	11,655	11,655
Discount on purchase of treasury stock during the year	0	0
	<hr/>	<hr/>
Closing balance	11,655	11,655
	=====	=====

#### 7. TREASURY STOCK

The Fund holds treasury stock in itself, which was purchased pursuant to an on-market buy-back scheme on the Australian Stock Exchange.

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
50,606,684 (2009:50,606,684) ordinary shares at cost	26,613	26,613
	=====	=====

#### 8. RELATED PARTY TRANSACTIONS

The Fund had the following commercial dealings with its directors and their associates:

- (a) One of the directors earned fees of \$1,250 (2009: \$2,500) during the year.
- (b) J. Randolph Updyke and M. Carol Updyke, directors of the Fund, each held 1,182,450 (2009: 1,182,450) and 169,100 (2009:169,100) shares in the Fund, respectively, at the end of the year.

#### 9. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities of the Fund at the year-end. The Fund has given a guarantee in respect of the creditors of its former subsidiaries as at 9 May 1991 pursuant to the Schemes of Arrangement to redomicile the former group to the British Virgin Islands.

## U.S. MASTERS HOLDINGS LIMITED

### Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2010

Expressed in thousands of U.S. Dollars

#### 10. FINANCIAL INSTRUMENTS

Financial assets of the Fund include cash and cash equivalents, investments and interest and dividends receivable.

Financial liabilities comprise accrued expenses.

Accounting policies for financial assets and liabilities are set out in note 2.

**(a) Fair values**

The carrying amounts of cash and cash equivalents, interest and dividends receivable and accrued expenses approximate their fair value due to the relatively short period to maturity of these instruments. Investments are carried at market value.

**(b) Credit risk**

Substantially all securities transactions are cleared through, and held in custody by two financial institutions. The Fund is subject to credit risk to the extent that these institutions may be unable to return the Fund's securities or to repay amounts owed.

Securities Insurance Protection Corporation (SIPC) provides insurance on bank and security balances in the event a U.S. Broker files for bankruptcy, but given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the year end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**(c) Interest rate risk**

The interest rates on the bonds held are disclosed in the statement of investments. There is an inherent risk that during the period to maturity these rates, to the extent that they are fixed, may be lower than the prevailing market rate.

**U.S. MASTERS HOLDINGS LIMITED**

**Directors' Statement  
for the year ended 30 June 2010**

The Board of Directors of U.S. Masters Holdings Limited states that the accompanying financial statements have been prepared in accordance with International Financial Reporting Standards and that in their opinion:

- a) the statement of operations and accumulated deficit is drawn up so as to give a true and fair view of the loss of the Fund for the year ended 30 June 2010.
- b) the accompanying statement of net assets and shareholders' interests is drawn up so as to give a true and fair view of the state of affairs of the Fund at 30 June 2010.
- c) at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of directors.



J Beecher  
Director  
29 September 2010

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
U.S. MASTERS HOLDINGS LIMITED**

**Scope**

We have audited the accompanying Statement of Net Assets and Shareholders' interests of U.S. Masters Holdings Limited for the year ended 30 June 2010, which comprise the Statement of Investments, Statement of Operations and Accumulated Deficit, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

It is the directors' responsibility for preparing the accompanying Review of Operations, Directors Report and the financial statements in accordance with applicable law, the Australian Stock Exchange and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether in our opinion the information given in the Directors Report and Review of Operations is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises the Review of Operations and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, if applicable, and judgments 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 to be audited 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.

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
U.S. MASTERS HOLDINGS LIMITED (CONTINUED)**

**Opinion**

In our opinion, the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 30 June 2010 and of its loss for the year then ended. The information given in the Director's report and Review of Operations is consistent with the financial statements.



Churchill & Co.  
Chartered Accountants

Date 29-9-10

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## U.S. MASTERS HOLDINGS LIMITED

### Additional Information for the year ended 30 June 2010

Expressed in U.S. Dollars

### SHAREHOLDERS

At 31 August 2010, there were 226 holders of the ordinary shares of the Company

The voting rights attaching to the ordinary shares are as follows:

- (a) at meetings of members or classes of members, each member entitled to vote may vote in person or proxy or attorney; and
- (b) on a show of hands, every person present who is a member has one vote, and on a poll every person present or by proxy or attorney has one vote for each ordinary share held.

Details of the top 20 shareholders as at 31 August 2010 were:

Rank	Name	Address	Units	% of Units
1.	U S MASTERS HOLDINGS LTD	TROPIC ISLE BUILDING, PO BOX 438, ROAD TOWN TORTOLA, BRITISH VIRGIN ISLANDS	50,606,684	95.42
2.	MR MICHAEL DAVIES	1 PRINCE ALBERT STREET, MOSMAN NSW, 2088	484,516	0.91
3.	MR GORDON THOMAS GALT <THE GALT SUPER FUND A/C>	50 BRADLEYS HEAD ROAD, MOSMAN NSW, 2088	186,607	0.35
4.	MS MICHELE PIGOTT	PO BOX 76, FLOREAT WA, 6014	186,607	0.35
5.	CITICORP NOMINEES PTY LIMITED	GPO BOX 764G, MELBOURNE VIC, 3001	132,825	0.25
6.	MR ROHAN KRISHNA MENON	20/166 PACIFIC HIGHWAY, NORTH SYDNEY NSW, 2060	93,304	0.18
7.	ANZ NOMINEES LIMITED	GPO BOX 2842AA, MELBOURNE VIC, 3001	73,000	0.14
8.	MS ROBYN GULDBRANDSEN	16 DRISCOLL PLACE, BARDEN RIDGE NSW, 2234	60,000	0.11
9.	AAA STRATEGIC PTY LIMITED	7A KARDINIA ROAD, MOSMAN NSW, 2088	55,982	0.11
10.	CFO ADVISORS PTY LIMITED <THE BEECHER FAMILY A/C>	28 LANG ROAD, CENTENNIAL PARK NSW, 2021	55,982	0.11
11.	DR GARRY JOSEPH NERVO	382 UPPER HEIDELBERG ROAD, IVANHOE VIC, 3079	40,000	0.08
12.	MR JOSEPH RANDOLPH UPDYKE	PO BOX 3421, KETCHUM ID 83340, UNITED STATES OF AMERICA	39,592	0.07
13.	MR CHARLES LOXTON	32 PARK AVENUE, MOSMAN NSW, 2088	27,991	0.05
14.	JAISHREE MOODLEY	23 WHATMORE STREET, WAVERTON NSW, 2060	27,991	0.05
15.	MR ALAN N ROBERTS	24 TIPPER AVENUE, BRONTE NSW, 2024	27,991	0.05
16.	MR BRENTON SAUNDERS	52 CUTLER ROAD, CLONTARF NSW, 2093	27,991	0.05
17.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	LEVEL 21, 120 COLLINS STREET, MELBOURNE VIC, 3000	24,500	0.05
18.	DONARD SERVICES PTY LTD	1 LATROBE STREET, MENTONE VIC, 3194	20,000	0.04
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	GPO BOX 5302, SYDNEY NSW, 2001	19,680	0.04
20.	BAYSONI PTY LIMITED <THE LEWIS FAMILY A/C>	3 WILLOW TREE CLOSE, ABERGLASSLYN NSW, 2320	18,661	0.04
<b>Totals: Top 20 holders of ORDINARY 50 CENT FULLY PAID</b>			<b>52,209,904</b>	<b>98.44</b>

## U.S. MASTERS HOLDINGS LIMITED

### Additional Information (continued) for the year ended 30 June 2010

Expressed in U.S. Dollars

#### SHAREHOLDERS (Continued)

The distribution of shareholders as at 31 August 2010 was as follows:

No. Shares	Shareholders
1 - 1,000	93
1,001 - 5,000	70
5,001 - 10,000	21
10,001 - 100,000	37
100,001 - and over	5
	<hr/>
	226
	<hr/>

Number of shareholders holding less than a marketable parcel of securities  
At 31 August 2010

41

Substantial holders disclosed in substantial holding notices:

Name	Address	Units
MR MICHAEL DAVIES	1 PRINCE ALBERT STREET, MOSMAN NSW, 2088	484,516
MR GORDON THOMAS GALT <THE GALT SUPER FUND A/C>	50 BRADLEYS HEAD ROAD, MOSMAN NSW, 2088	186,607
MS MICHELE PIGOTT	PO BOX 76, FLOREAT WA, 6014	186,607