

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and may not be offered or sold within the United States of America or to or for the account of U.S. persons except as permitted by United States securities laws. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the corporate secretary of Faircourt Asset Management Inc. at 141 Adelaide Street West, Suite 1402, Toronto, Ontario, M5H 3L5, or by calling 1-800-831-0304 and also are available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

October 22, 2012



FAIRCOURT GOLD INCOME CORP.

**\$40,000,103 Maximum
(Up to 4,733,740 Shares)**

Faircourt Gold Income Corp. (the "Company"), a closed-end investment fund established as a mutual fund corporation under the laws of the Province of Ontario, is offering upon the terms and subject to the conditions specified in this short form prospectus, to issue up to 4,733,740 Class A shares (the "Offered Shares") of the Company at a price per Offered Share of \$8.45 (the "Offering").

The Company currently has outstanding 4,478,165 Class A shares (the "Shares") and 1,266,147 Class B warrants (the "Class B Warrants") which entitle the holders thereof to purchase one Share at a subscription price of \$9.05 per Share and which expire on June 30, 2014. The Shares and the Class B Warrants are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbols "FGX" and "FGX.WT.B", respectively. The closing price of the Shares and Class B Warrants on the TSX on October 19, 2012 was \$8.16 and \$1.55, respectively and the NAV per Share (as defined below) on such date was \$8.45.

Price: \$8.45 per Offered Share

	Price to the Public ⁽¹⁾	Agents' Fees ⁽²⁾	Net Proceeds to the Company ⁽²⁾
Per Share	\$ 8.45	\$ 0.3380	\$ 8.112
Maximum Offering	\$40,000,103	\$1,600,004	\$38,400,099

- Notes:
- (1) Terms of the Offering were established through negotiation between the Agents and the Manager on behalf of the Company. The price per Offered Share will be equal to the most recently calculated NAV per Share prior to the filing of the final prospectus. The price to the public per Offered Share is payable in cash or securities of Exchange Eligible Issuers deposited pursuant to the Exchange Option (as defined herein).
 - (2) Before deducting the expenses of the Offering, estimated to be approximately \$250,000, which, subject to a maximum of 1.5% of the gross proceeds of the Offering, together with the Agents' fee, will be paid by the Company from the proceeds of the Offering. See "Use of Proceeds".
 - (3) **There is no minimum amount for the Offering.** The Company has granted to the Agents an over-allotment option, exercisable for a period of 30 days from the date of Closing, to offer additional Shares in an amount up to 15% of the Offered Shares sold on the date of Closing on the same terms as set forth above solely to cover over-allotments, if any (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Company are estimated to be \$46,000,118, \$1,840,005 and \$44,160,113, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Offered Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Shares forming part of the over-allocation position acquires such Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(continued on next page)

(continued from cover)

The TSX has conditionally approved the listing of the Offered Shares distributed under this short form prospectus. Listing of the Offered Shares is subject to the Company fulfilling all of the listing requirements of the TSX.

Prospective purchasers may purchase Offered Shares either by: (a) cash payment; or (b) an exchange (the “**Exchange Option**”) of freely tradeable securities of Exchange Eligible Issuers (as defined herein). See “Purchases of Securities — Method to Purchase Shares”. The Exchange Option remained open for acceptance until 5:00 p.m. (Toronto time) on October 19, 2012 (the “**Deposit Date**”). The Exchange Offer could have been accepted only by means of a book-entry deposit through CDS Clearing and Depository Services Inc. (“**CDS**”). Holders of securities of an Exchange Eligible Issuer (the “**Exchange Eligible Holders**”) who wished to accept the Exchange Offer must have requested that their investment adviser, investment dealer, bank, trust company or other nominee effect the transaction for them not later than 5:00 p.m. (Toronto time) on the Deposit Date to ensure that their securities were included in the deposit made through CDS to CIBC Mellon Trust Company (the “**Exchange Agent**”). Once submitted to the Exchange Agent through CDS, a deposit of securities of an Exchange Eligible Issuer under the Exchange Offer (including the transfer authorized thereby) is, subject to the completion of this Offering, irrevocable unless withdrawn as described below under the heading “Purchase of Securities — Rescission”.

The number of Offered Shares issuable for each class of security of an Exchange Eligible Issuer (the “**Exchange Ratio**”) was determined by dividing the weighted average trading price of such security on the Toronto Stock Exchange (or such other exchange or market on which such security is then listed) during the period of three consecutive trading days ending on the Deposit Date (the “**Pricing Period**”) as adjusted to reflect distributions declared by any Exchange Eligible Issuer that will not be received by the Company by \$8.45, being the price per Offered Share. See “Purchase of Securities — Determination of Exchange Ratios”.

The investment objectives of the Company are to provide Shareholders with: (a) monthly distributions; and (b) the opportunity for capital appreciation; through investment in a portfolio comprised primarily of common shares of gold companies. In order to generate additional returns and to reduce risk, the Company employs an option strategy whereby it writes covered call options on securities held in the Portfolio and cash secured put options on securities desired to be held in the Portfolio. See “Description of the Business”.

There are certain risk factors associated with an investment in Offered Shares, including that the Company may not be able to meet its investment objectives. There is no guarantee that an investment in the Company will earn any positive return in the short or long term nor is there any guarantee that the NAV per Share will be preserved. An investment in the Company is appropriate only for investors who have the capacity to absorb investment losses. See “Risk Factors”.

Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and PI Financial Corp. (collectively, the “**Agents**”) as agents, conditionally offer the Offered Shares for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Company in accordance with the conditions contained in the agency agreement between the Company, the Manager and the Agents dated October 22, 2012 (the “**Agency Agreement**”) referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Stikeman Elliott LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. During the distribution of the Offered Shares, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Shares in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”. It is expected that the closing of the Offering will take place on November 9, 2012 (the “**Closing**”) or such later date as the Company and the Agents may agree to in writing, but in any event not later than 90 days after a receipt for the final short form prospectus is issued, and that Offered Shares will be available for delivery in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. on the date of Closing. A purchaser of Offered Shares will receive a customer confirmation from the registered dealer from or through which the Offered Shares are purchased and will not have the right to receive physical certificates evidencing their ownership in the Offered Shares.

The Company is not a trust company, and accordingly, it is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Shares are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

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GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Agency Agreement**” means the agency agreement dated October 22, 2012 among the Company, the Manager and the Agents.

“**Agents**” means Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and PI Financial Corp..

“**AIF**” means the annual information form of the Company dated March 30, 2012 for the year ended December 31, 2011.

“**Business Day**” means any day on which the TSX is open for business.

“**CDS**” means CDS Clearing and Depository Services Inc., or its nominee and successor.

“**CDS Participants**” means participants in CDS.

“**Class B Warrant**” means one transferable Class B warrant of the Company which expires on June 30, 2014, and is listed and posted for trading on the TSX under the symbol “FGX.WTB”.

“**Class D Warrant**” has the meaning ascribed thereto under “The Company — Concurrent Warrant Offering”.

“**Company**” means Faircourt Gold Income Corp.

“**CRA**” means the Canada Revenue Agency.

“**Diluted NAV per Share**” means the Net Asset Value of the Company at the time of calculation plus the net proceeds that would have been received by the Company as if all outstanding warrants whose subscription price is less than the NAV per Share at such time were exercised, divided by the number of Shares outstanding plus the additional Shares that would be outstanding if all of the outstanding warrants whose subscription price is less than the NAV per Share at such time, had been exercised at such time.

“**Exchange Agent**” has the meaning ascribed thereto under “Purchase of Securities — Exchange Option Procedures”.

“**Exchange Eligible Holders**” means holders of securities of an Exchange Eligible Issuer.

“**Exchange Eligible Issuers**” has the meaning ascribed thereto under “Purchase of Securities — Method to Purchase Shares”.

“**Exchange Option**” means the offering of Offered Shares in exchange for securities of the Exchange Eligible Issuers.

“**Exchange Ratio**” has the meaning ascribed thereto under “Purchase of Securities — Determination of Exchange Ratios”.

“**Manager**” means Faircourt Asset Management Inc.

“**Maximum Ownership Level**” has the meaning ascribed thereto under “Purchase of Securities — Method to Purchase Shares”.

“**Minister**” means the Minister of Finance (Canada).

“**Net Asset Value**” or “**NAV**” means the net asset value of the Company, determined by subtracting the aggregate amount of the liabilities of the Company from the total assets, as described in the AIF.

“**NAV per Share**” means the Net Asset Value of the Company divided by the number of Shares outstanding at the time of calculation.

“**Offered Shares**” mean the Shares qualified for distribution pursuant to this short form prospectus.

“**Offering**” means the offering of Shares as contemplated by this short form prospectus.

“**Over-Allotment Option**” means the over-allotment option granted to the Agents, exercisable for a period of 30 days from the date of Closing, to purchase additional Shares in an amount up to 15% of the Offered Shares issued on the date of Closing on the same terms as set forth above solely to cover over-allotments, if any.

“**Portfolio**” means the portfolio of securities held by the Company from time to time.

“**Portfolio Companies**” means the gold companies whose securities form the Portfolio.

“**Pricing Period**” has the meaning ascribed thereto under “Purchase of Securities — Determination of Exchange Ratios”.

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof.

“**Registered Plans**” means trusts governed by RRSPs, RRIFs, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs.

“**RRIF**” means a registered retirement income fund.

“**RRSP**” means a registered retirement savings plan.

“**Share**” means an issued and outstanding redeemable Class A share of the Company, which, for greater certainty, does not include a Warrant.

“**Shareholder**” means a beneficial holder of a Share.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as the same may be amended from time to time.

“**TFSA**” means a tax-free savings account.

“**TSX**” means the Toronto Stock Exchange.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Warrant Offering**” has the meaning ascribed thereto under “The Company — Concurrent Warrant Offering”.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this short form prospectus, including documents incorporated by reference may be “forward looking statements” and “forward looking information” within the meaning of Canadian securities legislation. Forward looking statements include, but are not limited to statements with respect to the future financial or operating performance of the Company, including the expectations of the Company and the Manager of the future of gold prices and the gold market in general. Generally, the use of words such as “may,” “will,” “should,” “could,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “potential,” “continue” and similar expressions have been used to identify these forward looking statements.

By their very nature, forward looking statements involve known and unknown risks, uncertainties and other factors, some of which are outside the control of the Company, that may cause actual results or events to differ materially from those anticipated in the forward looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. In evaluating these statements, prospective purchasers should specifically consider various factors, including but not limited to the following risk factors set forth below and elsewhere in this short form prospectus and the documents incorporated by reference in this short form prospectus:

- i. possible dilution to existing Shareholders and prospective purchasers arising from the exercise of warrants;
- ii. the Company’s holdings are focused on the gold exploration, mining and production sectors and as such are not diversified and may be more volatile than more diversified portfolios;
- iii. the risks associated with the fluctuations in the value and the performance of the Portfolio Companies;
- iv. the risks associated with the fluctuation in the price of gold;
- v. the risks associated with uncertainties in the development potential of mineral properties and uninsurable risks;
- vi. title to mining claims may be attacked or be defective;
- vii. many mineral properties are in politically volatile climates or may be affected by changes in regulations or shifts in political or economic conditions that are beyond the control of the mining issuer;
- viii. possible changes in legislation;
- ix. possible changes in environmental regulation;
- x. the sensitivity in the market price of the Shares and NAV to interest rate fluctuations;
- xi. the risks associated with the use of options and other derivative instruments;
- xii. the risks associated with securities lending;
- xiii. the risks associated with leverage related to the loan facility;
- xiv. foreign currency exposure;
- xv. there being no assurance that the Company will be able to achieve its investment objectives in respect of the Shares or be able to provide distributions to Shareholders in a tax efficient manner;
- xvi. fluctuations in the NAV according to the value of the underlying securities;
- xvii. the possible loss of such investment;
- xviii. the actual trading price of the Shares may be at a premium or discount to NAV;
- xix. the Company’s ability to issue Shares below NAV;
- xx. reliance on the Manager;
- xxi. the possibility that the Company may cease to qualify as a mutual fund corporation for tax purposes;
- xxii. changes in income tax laws and government incentive programs;

- xxiii. the potential for conflicts of interest between the Manager, directors and officers and their respective affiliates and associates;
- xxiv. failure of annual redemption to reduce trading discounts; and
- xxv. the Company may suspend the redemption of Shares.

The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Forward looking statements are not historical facts but reflect the current expectations of the Manager or the Company regarding future results or events. Although the Manager believes the expectations reflected in the forward looking statements are reasonable, no assurance can be given that actual results will be consistent with these expectations and forward looking statements. Potential subscribers should not place undue reliance on forward looking statements. These forward looking statements are made as of the date hereof and the Company and the Manager assume no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or other similar authority in each of the provinces of Canada are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (a) the annual information form of the Company dated March 30, 2012 for the year ended December 31, 2011 (the “AIF”);
- (b) the annual financial statements of the Company, together with the accompanying report of the auditors dated March 23, 2012, for the fiscal year ended December 31, 2011;
- (c) the annual management report of fund performance of the Company for the fiscal year ended December 31, 2011;
- (d) the unaudited financial statements of the Company for the six months ended June 30, 2012;
- (e) the interim management report of fund performance of the Company for the six months ended June 30, 2012; and
- (f) the material change report of the Company dated April 4, 2012.

Any documents of the type referred to above, any material change reports (excluding confidential material change reports), any information circulars and any business acquisition reports or other documents required to be incorporated by reference into this short form prospectus and subsequently filed by the Company with the securities commissions and any similar authority in Canada after the date of this short form prospectus and prior to the termination or completion of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statements. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document or statement that it modifies or supersedes. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not constitute a part of the short form prospectus, except as so modified or superseded.

Information on any of the websites maintained by the Manager does not constitute a part of this short form prospectus.

THE COMPANY

Faircourt Gold Income Corp. is a closed-end investment fund established as a mutual fund corporation under the laws of the Province of Ontario. Faircourt Asset Management Inc. is the manager of the Company and is responsible for providing, or causing to be provided, all management, investment advisory (including the exercise of the Company's option writing program) and administrative services required by the Company. The Company's and the Manager's head and registered office is 141 Adelaide Street West, Suite 1402, Toronto, Ontario M5H 3L5. The Manager is a company incorporated under the laws of the Province of Ontario. The fiscal year-end of the Company is December 31.

On April 30, 2009, Shareholders and holders of Class A warrants approved amendments to the articles of the Company to: (i) change the investment strategy of the Company to allow for an investment in gold bullion; (ii) change the investment restrictions of the Company to restrict investments that would result in holdings of gold bullion comprising greater than 30% of NAV of the Portfolio at the time of such investment; (iii) change the investment restrictions to restrict investments that would result in holdings of gold companies comprising less than 60% of the NAV of the Portfolio at the time of such investment; (iv) remove the requirement for Shareholder approval for any issue of Shares for net proceeds per Share less than the most recently calculated NAV per Share prior to the date of setting the subscription price by the Company; and (v) remove the requirement of the Company to seek and obtain Shareholder approval in respect of a merger with another fund to facilitate the pursuit of growth of the Company in accordance with its investment objectives, upon the fulfillment of certain conditions.

The Manager was formed in 2002 to design, distribute and market innovative, tax efficient structured investment products to Canadian retail investors. Since 2003, the Manager has completed eight closed-end fund offerings, raising over \$850 million in aggregate gross proceeds. The Manager currently provides management services to TSX-listed closed-end funds, including Metals Plus Income Corp. and Faircourt Split Trust, as well as Faircourt Resource Fund Limited Partnership and Faircourt Exploration Flow Through 2010 Limited Partnership, both unlisted closed-end investment funds. The Manager also provides marketing and administrative support and other services to a continuing program of Principal Protected Notes, issued by a Canadian chartered bank.

The Company was listed on the TSX and effectively commenced operations on November 16, 2007. From the Company's inception in November 2007 to August 31, 2012, the Company's annualized total return was 2.10% based on NAV as compared to the annualized total return of the S&P TSX Global Gold Index which was 1.22% over the same period, in each case assuming the reinvestment of distributions. A summary of historical comparable performance for periods ending August 31, 2012 is presented in the table below.

Net Compound Annual Total Return Performance⁽¹⁾

	<u>1 year</u>	<u>3 year</u>	<u>Since Inception</u>
Faircourt Gold Income Corp. — Share Performance ⁽²⁾	-19.60%	6.27%	1.45%
Faircourt Gold Income Corp. — NAV Performance ⁽³⁾	-26.15%	3.72%	2.10%
S&P/TSX Global Gold Index — Total Return ⁽²⁾	-24.02%	1.66%	1.22%

Notes:

- (1) Assumes reinvestment of distributions.
- (2) Source: Bloomberg.
- (3) Source: The Company's website (www.faircourtasstetmgt.com).

The performance information presented above is not, and should not be construed as, indicative of future performance of the Company. This information is provided solely for illustrative purposes, and should not be

construed as a forecast or projection. Past performance does not guarantee future investment returns. There can be no assurances that the future performance of the Company will equal or exceed its past performance. See “Risk Factors”.

Concurrent Warrant Offering

Concurrent with the Offering, the Company is issuing to the holders of Shares of record on November 8, 2012 an aggregate of 4,478,165 Class D warrants of the Company (the “**Class D Warrants**”) exercisable to purchase from the Company a maximum of 4,478,165 Shares at an exercise price per Share equal to \$10.00 (the “**Warrant Offering**”). In accordance with the rules and policies of the TSX, Class D Warrants will not be issued to the holders of the Class B Warrants. As at the date hereof, the Company has 1,266,147 Class B Warrants outstanding which entitle the holders thereof to purchase one Share at a price of \$9.05 per Share. The Class D Warrants expire on October 1, 2013. **Investors acquiring Offered Shares under the Offering will not receive Class D Warrants in respect of the Offered Shares acquired pursuant to the Offering and, accordingly, will suffer dilution to the extent the Class D Warrants are exercised. See “Risk Factors — Dilution to Existing Shareholders and Purchasers”. The completion of the Offering is not conditional upon the completion of the Warrant Offering.**

DESCRIPTION OF THE BUSINESS

Investment Objectives

The Company’s investment objectives are to provide Shareholders with:

- (a) monthly distributions; and
- (b) the opportunity for capital appreciation;

through investment in a portfolio comprised primarily of common shares of gold companies.

Investment Strategy

The Company invests in a portfolio comprised primarily of common shares of gold companies. The Company may also invest up to 30% of its NAV in gold bullion. The Company’s top ten holdings, based on NAV as of August 31, 2012 were the following:

<u>Holdings</u>	<u>Principal Stock Exchange Symbol</u>	<u>Percentage of NAV⁽¹⁾</u>	<u>Market Capitalization⁽²⁾ (\$millions)</u>
SPDR GOLD TRUST	NYSE/GLD	8.89%	69,225.4
GOLDCORP INC	TSX/G	6.11%	32,804.3
DETOUR GOLD CORPORATION	TSX/DGC	4.71%	2,793.7
NEW GOLD INC	TSX/NGD	3.78%	5,045.0
SILVER WHEATON CORP	TSX/SLW	3.70%	12,059.9
YAMANA GOLD INC	TSX/YRI	3.41%	12,666.5
NEWMONT MINING CORPORATION	NYSE/NEM	3.18%	24,885.1
MAG SILVER CORP	TSX/MAG	3.08%	563.5
OSISKO MINING CORPORATION	TSX/OSK	3.02%	3,706.8
BARRICK GOLD CORPORATION	TSX/ABX	2.98%	38,542.8

Notes:

- (1) As of August 31, 2012, the Company’s cash on hand was 22.1% of NAV.
- (2) Market capitalization information as at August 31, 2012 obtained from Bloomberg, and where necessary, a USD:CDN exchange rate of USD\$ = CDN\$0.9863 was used.

The Company will not make any investment that would result in holdings of gold companies comprising less than 60% of the NAV of the Portfolio of the Company at the time of such investment. The Company will not make any investments that would result in holdings of gold bullion comprising greater than 30% of the NAV of the Portfolio of the Company at the time of such investment. See “Description of the Business — Investment Restrictions”.

In order to generate additional returns and to reduce risk, the Company has engaged the Manager to employ an option strategy whereby it writes covered call options on securities held in the Portfolio and cash secured put options on securities desired to be held in the Portfolio. It is the Manager’s belief that utilizing the option strategy will assist in providing Shareholders with lower volatility and potentially enhanced returns as compared to owning the individual securities in the Portfolio directly.

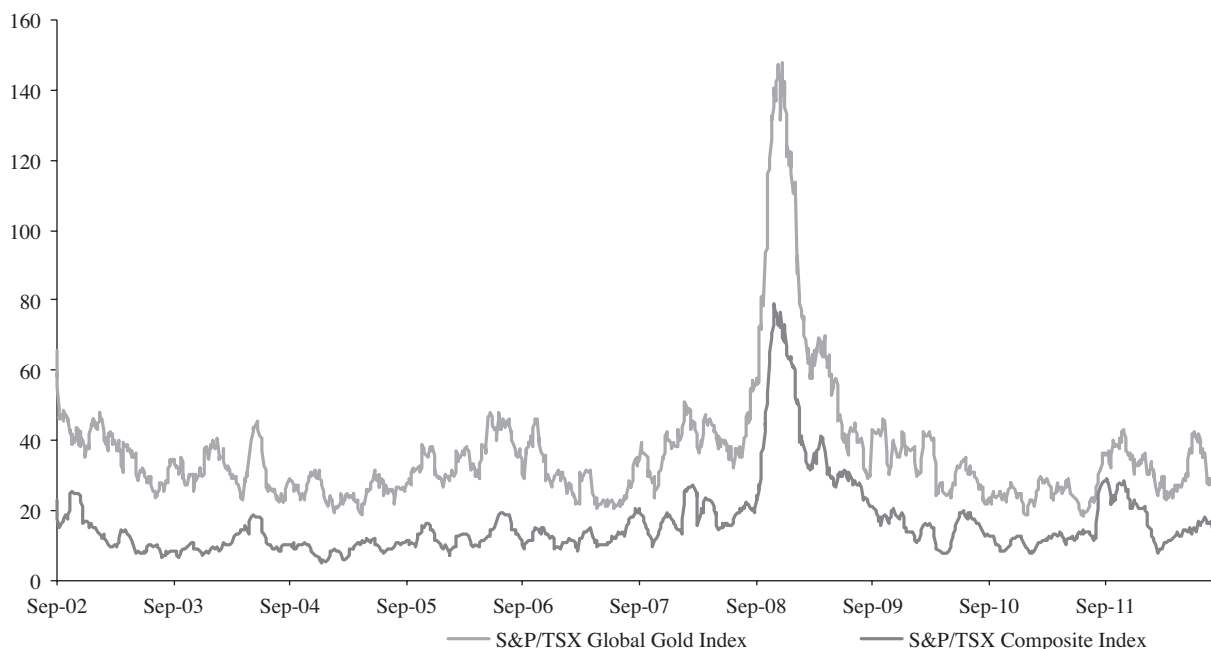
Shares derive their value from the Company’s underlying investment in the securities included in the Portfolio. Prospective purchasers should consult their own investment advisor for advice with respect to the merits of an investment in the Company which derives its value from an underlying investment in the securities comprising the Portfolio.

Option Writing

The Manager believes that option writing has potential to add value in some sectors more than others. Option writing programs in the past have relied on the volatility of a security as a source of long term capital gains distributions. All other things being equal, sustained volatility in the price of a security results in higher option premiums in respect of such security. The Manager believes gold stocks, which have historically maintained a high degree of volatility, are well suited for a covered call writing strategy. This higher degree of volatility is reflected in the following chart, which illustrates that the S&P/TSX Global Gold Index historic 10 year average volatility is 36% as measured by standard deviation, between September 2002 and September 2012, while the S&P/TSX Composite Index has exhibited a volatility of 16% during the same period (see Figure 1.1).

Covered call options and cash secured put options may be written from time to time in respect of part or all of the Portfolio. The extent to which any of the individual securities in the Portfolio are subject to options and the terms of such options will vary from time to time based on the Manager’s assessment of the market.

FIGURE 1.1
Selected Indices Volatility



If a call option is written on a security in the Portfolio, the amounts that the Company will be able to realize on the security during the term of the call option will be limited to the dividends/distributions received in respect of such security during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company forgoes potential returns resulting from any price appreciation of the security underlying the option above the strike price because the security will be “called away” or the Company will pay to close out the option by repurchasing the option at the then current market price of the option. Conversely, writing a call option can be advantageous when it is written on a security where the price of the security remains below the strike price over the period of the contract and the option writer benefits from not only the dividends received, but the option writer also retains the premium, enhancing the returns.

If a cash secured put option is written on a security that the Manager desires to hold in the Portfolio, the amounts that the Company will be able to realize on the cash used to secure the put option during the term of the option will be limited to any interest earned on the underlying cash position and the premium received from writing the option. If the price of the security underlying the put option declines below the strike price, the Company would be obligated to purchase the security at a price above the then current market price. As the Company does not hold the security underlying the put option, the Company forgoes potential returns resulting from any dividends / distributions paid on such security, as well as any price appreciation of such security above the strike price during the term of the option. Writing a cash secured put option is most advantageous when it is written on a security where the price of the security remains above the strike price over the period of the contract as the option writer retains the full option premium.

Investment Restrictions

The Company’s current investment restrictions provide that the Company will not:

- (a) purchase the securities of an issuer if, measured at the time of purchase, such purchase would result in the Company holding in the aggregate, more than 10% of a class of voting or equity securities of such issuer;
- (b) make or hold any investment or conduct any activity that would result in the Company failing to qualify as a “mutual fund corporation” within the meaning of the Tax Act;
- (c) with the exception of securities of the Company’s own issue or the acquisition of securities to facilitate a conversion feature in connection with redemptions, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with National Instrument 81-107 — Independent Review Committee for Investment Funds of the Canadian Securities Administrators;
- (d) hold (i) securities of any non-resident corporation or trust or other entity (or of a partnership which holds such securities) if the Company (or partnership) would be required to include any significant amounts in income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act, or (ii) any interest in a non-resident trust other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act set forth in the Federal Budget of March 4, 2010 (or amendments to such proposals, provisions enacted into law or successor provisions thereto);
- (e) make any investments that would result in holdings of gold bullion comprising greater than 30% of the NAV of the Portfolio of the Company at the time of such investment;
- (f) make any investment that would result in holdings of gold companies comprising less than 60% of the NAV of the Portfolio of the Company at the time of such investment;
- (g) make or hold any investments in entities that would be “foreign affiliates” of the Company for purposes of the Tax Act; or

- (h) acquire or continue to hold any property that would be “taxable Canadian property” (as defined in the Tax Act if the definition were read without paragraph (b) thereof) or “specified property” (as defined in subsection 18(1) of the Tax Proposals released on September 16, 2004) if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Company.

Changes in the investment strategy or investment restrictions of the Company may only be undertaken with the prior approval of Shareholders.

Distribution Policy

The Company currently pays monthly cash distributions. The Company determines annually and announces each November an indicative distribution for the following calendar year based on the then prevailing market conditions and the estimate by the Manager of the distributable cash flow for the year. **The amount of distributions may fluctuate from month to month and there can be no assurance that the Company will make any distribution in any particular month or months.** See “Risk Factors”. The Company may make additional distributions in any given year. The majority of the monthly distribution is funded through writing options, sales of securities in the Portfolio or other returns, if any.

The current monthly cash distribution of the Company is \$0.048 per Share per month (\$0.5760 per Share per annum) representing a yield of 7.1% based on the market price for Shares as at October 19, 2012. As of September 26, 2012, the Portfolio would be required to generate a return of approximately 10.3% per annum through covered call premiums, returns from cash secured put options, capital appreciation, dividends or a combination of the foregoing in order for the Company to maintain the current NAV per Share (after accounting for the fees and expenses of the Offering) while making the targeted monthly cash distributions.

Assuming market volatility of 52% of the optionable securities in the Portfolio, being the trailing 10 year average volatility of the optionable securities in the Portfolio as at September 26, 2012, the Manager estimates that it will be required to write covered calls on approximately 15% of the Portfolio in order to generate sufficient cash to continue to pay cash distributions at the current rate while maintaining a stable Net Asset Value. Using the current 30-day volatility of the optionable securities in the Portfolio on September 26, 2012 of 36%, the Manager expects that it would be required to write covered calls on approximately 21% of the Portfolio. If the returns from executing the covered call strategy or the increase in the value of the Portfolio is less than the amount necessary to fund the monthly cash distributions and all expenses of the Company and if the Manager chooses to nevertheless ensure that the monthly cash distributions are paid to Shareholders at the targeted level, this will result in a portion of the capital of the Company being returned to Shareholders and, accordingly, the Net Asset Value per Unit would be reduced. The use of call options may have the effect of limiting or reducing the total returns of the Company, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options.

OVERVIEW OF THE SECTOR THAT THE COMPANY INVESTS IN

Please be advised that the following is only a summary and should be read in conjunction with the cautions about its reliability contained under “Forward-looking Statements” and in “Risk Factors”.

The Manager believes the fundamentals for investments in gold companies continue to be strong, especially during this uncertain global economic environment. The Manager believes that gold equities are generally inexpensive relative to the underlying commodity, and look inexpensive as trading prices among many of the gold producers are near the bottom of their historic price-to-book, price to earnings or price to cash flow ratio ranges. Combined with this fundamental view, the Manager sees the following macroeconomic factors that should be positive for the underlying commodity price and for related gold equity investments:

- The maintenance of low interest rate policies and increased money supply provided by central banks and governments, that continue to be provided to stimulate the major economies of the world;
- The longer governments stay committed to maintaining the above policies, now over three years, the greater the potential for high inflation when global economic conditions improve;

- Continued bailouts, restructuring and renegotiating of the sovereign debt of many countries in Europe which contribute to reduced confidence in currencies;
- High unemployment and a slow economic recovery in the United States which has led to Quantitative Easing 3 and the prospect of further stimulus by the U.S. Federal Reserve;
- The level of sovereign debt of most Organisation for Economic Co-operation and Development (OECD) countries relative to their gross domestic product (GDP);
- Willingness of central banks to increase gold as a percentage of reserves relative to their U.S. dollar holdings;
- Expansion of the U.S. money supply (see Figure 1.2); and
- Continued weakness of the UK pound and the Euro.

Fundamental to the Manager's view are the expansionary monetary policies followed by the major central banks around the world during the last three years, led by the U.S. Federal Reserve, the European Central Bank, the Bank of England and the Bank of Japan (see Figure 1.2). The significant growth in global money supply and sovereign debt is leading to increased risks of global currency devaluation, which has positive implications for the price of gold. Although gold is likely to follow the overall commodity market upwards in the near term as global economic conditions improve, gold's position as a safe haven asset is a unique attribute and is evidenced by gold's historically strong inverse relationship to the U.S. dollar (See Figure 1.3). Particularly in times of economic or financial market uncertainty, gold is viewed by many as an attractive investment option because of its inflationary protection and its immediate convertibility into hard currency. In addition, in the Manager's view, the concern that the global economic recovery is fragile and continues to show signs of weakness leading to the need for governments to continue to intervene to further stimulate their domestic economies. Considering the growth of national debt of various countries in recent years, and the slow economic recovery, the Manager believes that significant sovereign debt issues will continue to weigh on many developed nations currencies.

Rating agencies continue to raise concerns about the rising debt levels of many developed economies as national debt to GDP ratios continue to increase (See Figure 1.4). Debt restructurings in Europe are constantly being negotiated with requirements for concessions on the part of bond holders that continue to cause concerns for creditors. At a time when central banks increase stimulus in the hopes of supporting economic growth, it is the Manager's view that lacklustre GDP growth creates significant fiscal challenges as government tax revenues are reduced in many countries. Whether it is the United States, Italy, France or Greece, the inability of national governments to either raise revenues or control spending puts pressure on national debt ratings and increases the prospects for higher interest rates and restructurings of long term government debt. As emerging economies adjust their export led growth towards attaining more balanced domestic demand, the Manager expects countries such as China, India and Brazil to adjust currency reserves away from U.S. dollar denominated reserves to gold. The Manager believes that the adjustment towards increased gold reserves by emerging countries, reducing U.S. dollar holdings, will lead to longer term stable demand supporting higher gold prices.

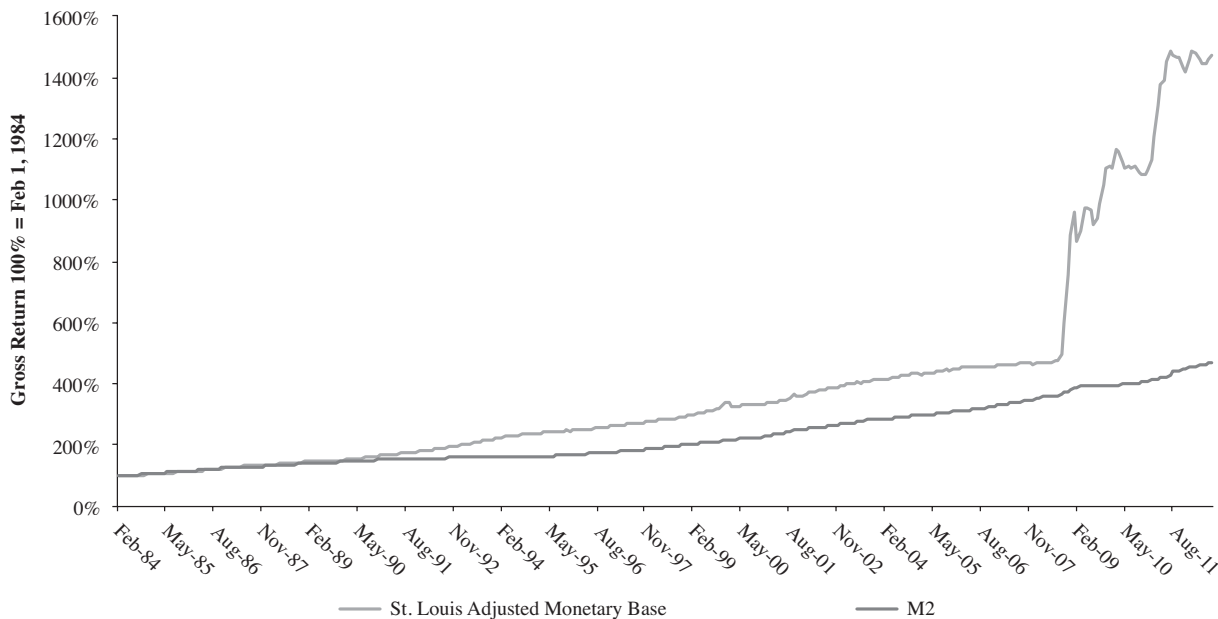
These outcomes, in the Manager's view, should lead to increased demand for gold as a reserve currency given its historic role as a store of wealth and value. This increased demand for gold, in the Manager's view, will outstrip global supply capabilities and lead to higher prices for precious metals and those companies that are involved in the exploration, development and extraction of precious metals.

Gold equity performance has not kept up with rise in the underlying commodity price (see Figure 1.5). As a result, gold equities have been trading at historically low multiples based on price to net asset value (NAV), price to cash flow, and price to earnings ratios. Despite the low valuation metrics produced by the gold equity sector, many large producers are announcing increased cash flow and earnings, leading to announcements of dividend increases.

Key determinants of recent investor apathy include mine operational cost escalation, political uncertainty and increased risk premiums related to bringing new mines into operation. The Manager views operational costs as a key factor that gold producers are now poised to take advantage of, as inflationary pressures resulting from the China-driven commodity boom begin to moderate. Early signs of this can be seen, as energy costs have retreated recently over \$20 per barrel, and diversified metals companies such as BHP Billiton have announced

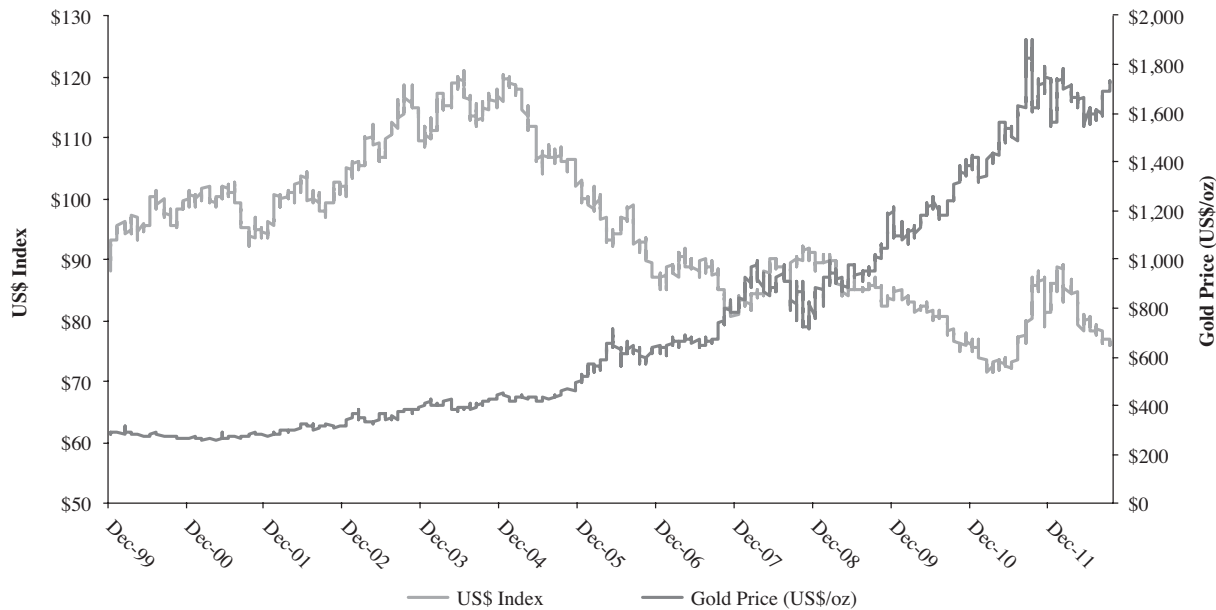
the deferral of construction on a number of very large projects. With commodity price pressure subsiding, the Manager believes that reduced operational costs will produce higher cash flow earnings for gold producers and more positive valuation metrics.

FIGURE 1.2
U.S. Money Supply Growth



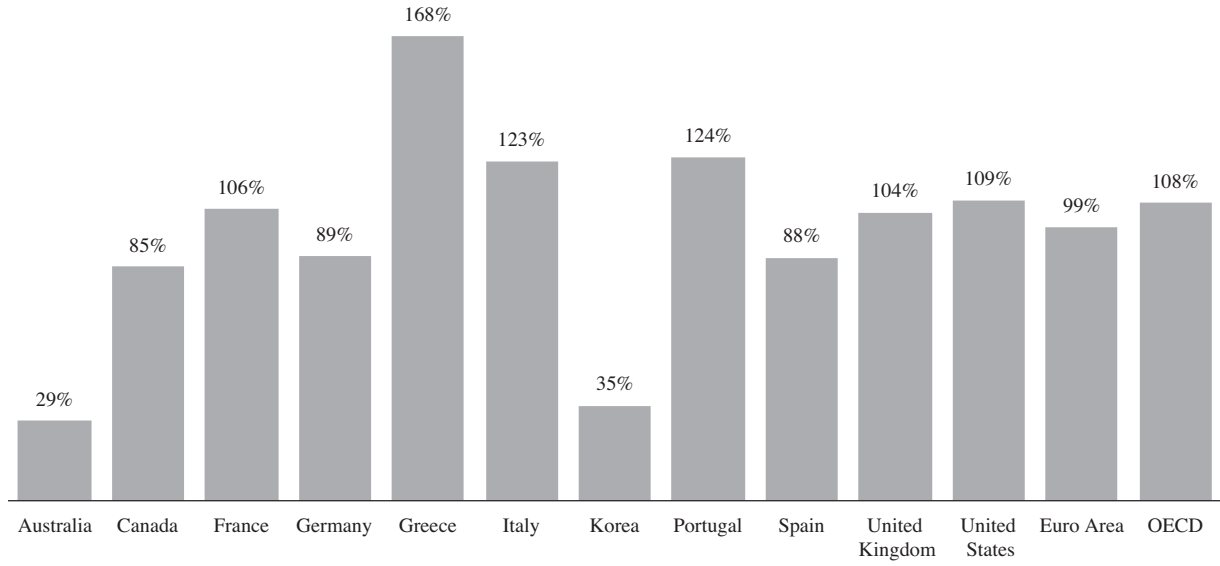
Source: Federal Reserve Bank of St. Louis

FIGURE 1.3
USD Correlation to Gold Priced in USD



Source: Bloomberg

FIGURE 1.4
General Government Liabilities as % of 2012 GDP



Source: OECD Economic Outlook 90 Database Annex Table 32
 Note: Japan Debt to GDP approx. 214%

FIGURE 1.5
Gold Spot Price vs. S&P/TSX Global Gold Index



FEES AND EXPENSES

Agents' Fees

The Agents will be paid a fee equal to \$0.3380 per Share (4.0%) by the Company out of the proceeds of the Offering.

Expenses of the Offering

The expenses of the Offering (including the costs of preparing, printing and mailing this short form prospectus, legal expenses, expenses of the auditor and translation fees, but excluding the Agents' fee), which are estimated to be \$250,000 in the aggregate, will be paid by the Company out of the gross proceeds of the Offering, subject to a maximum of 1.5% of the gross proceeds of the Offering.

Management Fee and Service Fee

The Manager receives an annual management fee equal to 1.10% of the Net Asset Value, plus applicable taxes, calculated and payable monthly.

In addition to the management fee described above, the Company pays to the Manager a service fee equal to 0.40% per annum of the aggregate Net Asset Value per Shares of the Shares held at the end of each calendar quarter by clients of dealers, plus applicable taxes. The Manager remits such service fee to the relevant dealers as soon as practicable following the end of the relevant calendar quarter.

As such, Shareholders are exposed to aggregate fees payable to the Manager of 1.50% of the Net Asset Value, being the sum of the management fee and the service fee described above.

Ongoing Expenses

The Company also pays for all ongoing expenses incurred in connection with its operation and administration. Such ongoing expenses are more fully described in the current AIF of the Company, which is incorporated by reference in this prospectus.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Class A Shares

The Company is authorized to issue an unlimited number of Shares, of which 4,478,165 Shares are issued and outstanding as at the date hereof. The following is a summary of certain rights attached to the Shares and is qualified in its entirety by reference to the detailed provisions of the Company's articles of incorporation, as amended (the "Articles").

Holders of Shares are entitled to receive dividends and other distributions declared by the Company. Shares only carry the right to vote in circumstances set out in the Articles and as required by law. On termination or liquidation of the Company, the holders of outstanding Shares of record are entitled to receive on a *pro rata* basis all of the assets of the Company remaining after payment of all debts, liabilities and liquidation expenses of the Company. Shares may be issued at such time and for such consideration as determined by the board of directors of the Company.

Company's Right of Redemption

Shares are redeemable at the demand of the Company at a price per Share equal to the NAV per Share. The Company does not anticipate exercising its right of redemption except as may be reasonably required to facilitate an exchange of Shares for shares of another mutual fund corporation managed by the Manager.

Shareholders' Rights of Redemption

The Shares have annual and monthly redemption rights, at the option of the holder thereof. Holders whose Shares are redeemed on an annual redemption date (defined in the Articles as the second last business day of April), are entitled to receive, a redemption price per Share in an amount equal to 100% of the lesser of Net

Asset Value per Share and Diluted Net Asset Value per Share less the amount which is the lesser of (a) \$0.25 per Share and (b) the *pro rata* share of the aggregate of all brokerage fees, commissions and other costs relating to disposition of Portfolio securities necessary to fund such redemptions. Payment of the redemption price will be made on or before the applicable Redemption Payment Date. Shares may also be redeemed on a monthly basis. In order to redeem Shares on an annual redemption date, the Shares must be submitted to the Company for redemption no later than the last business day in March prior to the applicable annual redemption date. NAV per Share refers to the aggregate net asset value of the Company divided by the number of Shares outstanding at the time of calculation. If, at such calculation time, the NAV per Share is greater than the subscription price per Share in respect of any outstanding warrants or rights, the Diluted Net Asset Value per Share or Diluted NAV per Share will be calculated and will be equal to the net asset value of the Company at such time plus the net proceeds that would have been received by the Company as if all outstanding warrants and rights whose subscription price is less than the NAV per Share at such time were exercised, divided by the number of Shares outstanding plus the additional Shares that would be outstanding if all of the outstanding warrants or rights whose subscription price is less than the NAV per Share at such time, had been exercised at such time.

Holders who submit their Shares for a monthly redemption will receive a redemption price per Share equal to the lesser of (a) 94% of the Market Price of a Share (defined in the Articles as being the weighted average trading price of the Share on the TSX for the 10 trading days immediately preceding the applicable monthly redemption date), and (b) 100% of the closing price of the Shares on the TSX on the applicable monthly redemption date (or if there is no trade on the applicable monthly redemption date, the average of the last bid and last asking price of the Share on the TSX on such monthly redemption date).

The right of holders of Shares to redeem their Shares on an annual or monthly redemption date is subject to the Manager's right (or the Company's right) to suspend redemptions in certain circumstances, as more fully set out in the Company's AIF, which is incorporated by reference into this short form prospectus.

Shareholders' Voting Rights

Holders are not entitled to receive notice of, or attend or vote at any meeting of the shareholders of the Company except for meetings at which a matter from the following list is to be voted upon:

- (A) any change in the investment strategy or investment restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (B) any material change in the management agreement, other than a change in the Manager provided the new manager is an affiliate of the Manager;
- (C) any increase in the management fee payable to the Manager under the management agreement;
- (D) any amendment, modification or variation in the provisions or rights attaching to the Shares;
- (E) any change in the frequency of calculating NAV per Share to less often than weekly;
- (F) the sale of all or substantially all of the assets of the Company other than in the ordinary course; and
- (G) the liquidation, dissolution or termination of the Company except if it is determined by the Manager, in its sole discretion, to be in the best interest of the holders of Shares.

Items (A), (B), (C), and (E) require approval of at least 50% of the votes cast at a meeting of Holders of the Shares, unless a greater majority is required by law. Items (D), (F), and (G) require approval of at least 66⅔% of the votes cast at a meeting of Holders of the Shares.

Class B Warrants

The Company has issued and has outstanding 1,266,147 Class B Warrants as at the date hereof. Each Class B Warrant entitles the holder thereof to purchase one Share at an exercise price of \$9.05 on each calendar quarter prior to June 30, 2014.

PURCHASE OF SECURITIES

Prospective purchasers may subscribe for Shares through the Agents. Closing of the Offering will take place on or about November 9, 2012, or such later date as may be agreed upon by the Company and the Agents, but in any event not later than 90 days after a receipt for the final short form prospectus is issued. The price per Offered Share was determined by negotiation between the Agents and the Company. See “Plan of Distribution”.

Method to Purchase Shares

Prospective purchasers may acquire Offered Shares either by: (a) cash payment; or (b) an exchange of freely tradeable securities of any issuer listed below under “Exchange Eligible Issuers” (each, an “**Exchange Eligible Issuer**”). The maximum number of securities of each Exchange Eligible Issuer which the Company will acquire pursuant to the Exchange Option is the lesser of (i) that number of securities which, when added to the securities of such Exchange Eligible Issuer already held by the Company, would amount to less than 10.0% of the outstanding securities of that class of such Exchange Eligible Issuer for the purposes of reporting obligations under applicable securities laws, and (ii) that number of securities which would constitute 10% of the Company’s property (such lesser number being the “**Maximum Ownership Level**”). **This Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer.** To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Eligible Issuer, and an excess of securities of such Exchange Eligible Issuer above the Maximum Ownership Level has been deposited and not rescinded, then the securities of such Exchange Eligible Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited *pro rata* to purchasers’ accounts through CDS.

A purchaser who holds securities of an Exchange Eligible Issuer as capital property may realize a capital gain or capital loss on the exchange of securities of an Exchange Eligible Issuer for Offered Shares pursuant to the Exchange Option. See “Canadian Federal Income Tax Considerations”.

Exchange Option Procedure

A prospective purchaser of Shares who elected to pay for such Shares by using the Exchange Option must have done so by means of a book-entry deposit through CDS. Prospective purchasers intending to utilize the Exchange Option must have deposited the securities of the Exchange Eligible Issuer with CIBC Mellon Trust Company (the “**Exchange Agent**”) through CDS prior to 5:00 p.m. (Toronto time) on October 19, 2012. Once submitted to the Exchange Agent through CDS, a deposit of securities of an Exchange Eligible Issuer under the Exchange Option (including the transfer authorized thereby) is, subject to the completion of this Offering, irrevocable unless withdrawn as described below under “Purchase of Securities — Rescission”. By authorizing a deposit of securities of an Exchange Eligible Issuer under the Exchange Option through CDS, a prospective purchaser authorizes the transfer to the Company of each such security and represents and warrants that the prospective purchaser has full right and authority to transfer the securities and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Shares in exchange for such securities of Exchange Eligible Issuers. The Manager’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Manager reserves the right to waive any conditions of the Exchange Option (other than the Maximum Ownership Level) and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio as described below and the value of the securities of the Exchange Eligible Issuer.

If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not acquired by the Company, the holders of such securities will be notified of such fact as soon as practicable following the closing or the termination of this Offering, as the case may be, and such securities will be re-credited to their accounts through CDS.

Determination of Exchange Ratios

The number of Offered Shares issuable for each class of security of an Exchange Eligible Issuer (the “**Exchange Ratio**”) was determined by dividing the weighted average trading price of such security on the TSX (or such other exchange or market on which such security is then listed) during the period of three consecutive trading days ending on the Deposit Date (the “**Pricing Period**”) as adjusted to reflect distributions declared by any Exchange Eligible Issuer that will not be received by the Company by \$8.45, being the price per Offered Share, which is equal to the most recently calculated NAV per Share prior to the filing of the final short form prospectus. For greater certainty, the distribution payable on the securities of any Exchange Eligible Issuer that are deposited under the Exchange Option and which have a record date before the Closing Date will be received by the prospective purchaser who deposited such securities and not by the Company. The Exchange Ratios were rounded down to four decimal places. If purchasers of Shares have deposited securities of Exchange Eligible Issuers pursuant to the Exchange Option, and the exchange of such securities for Offered Shares would otherwise result in the issuance of a fractional Share, the Company will, after the applicable withdrawal period has expired, forward a cash payment to CDS equal to \$8.45 multiplied by such fraction of a Share, in lieu of issuing a fractional Share. Allocations by CDS of cash in lieu of fractional Shares to participants in CDS will be at the discretion of CDS and the allocation of cash in lieu of fractional Shares to purchasers who have authorized the deposit of securities of Exchange Eligible Issuers through CDS will be at the discretion of the CDS Participant. The Exchange Ratio for any such securities that do not trade in Canadian dollars was determined by converting the weighted average trading price on the applicable exchange of such securities into Canadian dollars based on the Bank of Canada noon rate of exchange on the last day of the Pricing Period. Purchasers acquiring Shares pursuant to the Exchange Option will also receive as additional consideration, their *pro rata* portion, represented by the number of Shares purchased, of a cash pool of funds which has been set aside by the Company totalling \$1,000. As a result, a purchaser who deposits securities of an Exchange Eligible Issuer in exchange for Shares pursuant to the Exchange Option will receive such Shares plus a nominal amount of cash and thus will be considered for tax purposes to have disposed of such securities for proceeds equal to the fair market value of the Shares and cash received. See “Canadian Federal Income Tax Considerations — Taxation of Holders — The Exchange Option”.

Maximum Offering

The maximum Offering, comprised of the securities of the Exchange Eligible Issuers (based on the applicable Exchange Ratio and excluding that number of securities of Exchange Eligible Issuers deposited and not acquired as a result of such securities causing the Company to hold more than the Maximum Ownership Level of the outstanding securities of an Exchange Eligible Issuer) and any cash subscriptions, shall not be more than \$40,000,103. If the maximum Offering is exceeded, the Company will accept securities of Exchange Eligible Issuers and cash subscriptions on such reasonable basis that it determines to be appropriate until the maximum Offering size of \$40,000,103 is achieved, subject to the conditions set forth above under the heading “Method to Purchase Shares”.

Delivery of Final Prospectus

Each prospective purchaser who authorized the deposit of securities of an Exchange Eligible Issuer through CDS by 5:00 p.m. (Toronto time) on October 19, 2012 will be furnished with a copy of the final prospectus relating to this Offering.

Rescission

A purchaser may rescind its purchase of Offered Shares hereunder by a written notice of rescission which must be received by the CDS Participant who effected such deposit on or before midnight on the second Business Day after the receipt or deemed receipt of the final prospectus related to this Offering and any amendment. Any such notice of rescission must specify the securities of each Exchange Eligible Issuer to be so rescinded and the name of the prospective purchaser. A prospective purchaser also has the rights described under “Purchasers’ Statutory Rights”.

Exchange Eligible Issuers

The table below sets out the Exchange Eligible Issuers the securities of which may be accepted by the Company pursuant to the Exchange Option, including the name of the Exchange Eligible Issuer, its ISIN number, stock exchange, and ticker symbol, as well as its weighted average trading price during the Pricing Period and its Exchange Ratio.

Legal Name	ISIN	Exchange Listing	Stock Symbol	Weighted Average Price(\$) ⁽¹⁾⁽²⁾	Exchange Ratio
ALLIED NEVADA GOLD CORP	US0193441005	AMEX	ANV	40.0474	4.7385
AURICO GOLD INC	CA05155C1059	Toronto	AUQ	7.9953	0.9460
AURIZON MINES LTD	CA05155P1062	Toronto	ARZ	4.7140	0.5577
B2GOLD CORP	CA11777Q2099	Toronto	BTO	3.9321	0.4652
BEAR CREEK MINING CORPORATION	CA07380N1042	Venture	BCM	3.5773	0.4232
BRIGUS GOLD CORP	CA1094901024	Toronto	BRD	0.9995	0.1182
CENTAMIN PLC	JE00B5TT1872	Toronto	CEE	1.6539	0.1956
CENTERRA GOLD INC	CA1520061021	Toronto	CG	11.6136	1.3741
CENTRAL FUND OF CANADA LIMITED	CA1535011011	Toronto	CEFA	22.2456	2.6321
CENTRAL GOLDTRUST	CA1535461067	Toronto	GTU.U	66.0042	7.8097
CLAUDE RESOURCES INC	CA1828731093	Toronto	CRJ	0.7534	0.0891
COEUR D'ALENE MINES CORPORATION	US1921085049	NYSE	CDE	29.4964	3.4900
COLOSSUS MINERALS INC	CA19681L1094	Toronto	CSI	5.5258	0.6538
DETOUR GOLD CORPORATION	CA2506691088	Toronto	DGC	26.9793	3.1922
DUNDEE PRECIOUS METALS INC	CA2652692096	Toronto	DPM	8.9598	1.0601
ELDORADO GOLD CORPORATION	CA2849021035	Toronto	ELD	14.2331	1.6840
ENDEAVOUR SILVER CORP	CA29258Y1034	Toronto	EDR	8.8004	1.0412
ENTREE GOLD INC	CA29383G1000	Toronto	ETG	0.4094	0.0484
EXETER RESOURCE CORPORATION	CA3018351047	Toronto	XRC	1.3692	0.1620
FIRST MAJESTIC SILVER CORP	CA32076V1031	Toronto	FR	22.2785	2.6360
FORTUNA SILVER MINES INC	CA3499151080	Toronto	FVI	4.8469	0.5734
FRANCO-NEVADA CORPORATION	CA3518581051	Toronto	FNV	57.7223	6.8298
GABRIEL RESOURCES LTD	CA3619701061	Toronto	GBU	2.2145	0.2620
HIGH RIVER GOLD MINES LTD	CA42979J1075	Toronto	HRG	1.3832	0.1636
IAMGOLD CORPORATION	CA4509131088	Toronto	IMG	15.4356	1.8263
ISHARES GOLD BULLION FUND	CA46432D2014	Toronto	CGL	15.5868	1.8442
ISHARES S&P/TSX GLOBAL GOLD INDEX FUND	CA46428M1086	Toronto	XGD	21.1077	2.4975
KEEGAN RESOURCES INC	CA4872751090	Toronto	KGN	3.9866	0.4717
LUNA GOLD CORPORATION	CA5503443031	Venture	LGC	3.1097	0.3679
MAG SILVER CORP	CA55903Q1046	Toronto	MAG	11.4826	1.3586
MCEWEN MINING INC	US58039P1075	NYSE	MUX	4.6016	0.5444
METALS PLUS INCOME CORP ⁽³⁾	CA59131N1078	Toronto	MPI	5.9154	0.6999
OCEANAGOLD CORPORATION	CA6752221037	Toronto	OGC	3.5105	0.4153
OREZONE GOLD CORPORATION	CA68616T1093	Toronto	ORE	1.9360	0.2290
OSISKO MINING CORPORATION	CA6882781009	Toronto	OSK	9.4915	1.1230
PAN AMERICAN SILVER CORP	CA6979001089	Toronto	PAA	21.0253	2.4877
PREMIER GOLD MINES LIMITED	CA74051D1042	Toronto	PG	5.5213	0.6532
QUEENSTON MINING INC	CA74832E1088	Toronto	QMI	3.7716	0.4462

Legal Name	ISIN	Exchange Listing	Stock Symbol	Weighted Average Price(\$) ⁽¹⁾	Exchange Ratio
RANDGOLD RESOURCES LIMITED	US7523443098	NASDAQ	GOLD	120.8592	14.3003
RIO NOVO GOLD INC	VGG757001075	Toronto	RN	0.1872	0.0221
ROMARCO MINERALS INC	CA7759032062	Venture	R	1.0120	0.1197
ROYAL GOLD INC	US7802871084	NASDAQ	RGLD	86.8175	10.2724
SABINA GOLD & SILVER CORPORATION	CA7852461093	Toronto	SBB	2.8637	0.3388
SAN GOLD CORPORATION	CA79780P1045	Venture	SGR	0.9182	0.1086
SANDSTORM GOLD LTD	CA80013R2063	Venture	SSL	13.4937	1.5966
SILVERCORP METALS INC	CA82835P1036	Toronto	SVM	5.9130	0.6996
SPDR GOLD TRUST	US78463V1070	NYSE	GLD	167.0046	19.7603
SULLIDEN GOLD CORPORATION LTD	CA8651261064	Toronto	SUE	0.9452	0.1118
TIMMINS GOLD CORP	CA88741P1036	Venture	TMM	2.8403	0.3360
YAMANA GOLD INC	CA98462Y1007	Toronto	YRI	19.1262	2.2630

Note:

- (1) Based on information obtained from Bloomberg and SEDAR.
- (2) USD:CDN exchange rate of USD\$ = CDN\$0.9932 used for those securities noted in this table as listed on a US exchange and traded in US\$.
- (3) Metals Plus Income Corp. (“MPI”) is an investment fund with investment objectives to provide holders of its shares with (i) monthly distributions and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio consisting primarily of equity securities of metals and materials companies. The Manager is also the manager of MPI. To the extent that shares of MPI are acquired by the Company pursuant to the Exchange Option, any fees payable to the Manager in respect of such shares of MPI will be rebated to the Company.

CAPITALIZATION TABLE

The following table sets forth the unaudited capitalization of the Company before and after giving effect to the Offering, assuming a maximum total Offering of 4,733,740 Offered Shares and that the Over-Allotment Option is exercised in full and also after giving effect to the Warrant Offering:

Designation	Authorized as at October 19, 2012	Outstanding as at June 30, 2012 ⁽¹⁾	Outstanding as at October 19, 2012 ⁽¹⁾	Outstanding as at October 19, 2012 after giving effect to the Offering and the Warrant Offering ⁽¹⁾⁽²⁾⁽⁴⁾	Outstanding as at October 19, 2012 after giving effect to the Offering and the Warrant Offering ⁽¹⁾⁽³⁾⁽⁴⁾
Shares	Unlimited	\$32,650,555 (4,478,165 Shares)	\$37,847,211 (4,478,165 Shares)	\$125,717,250 (14,400,131 Shares)	\$136,884,667 (15,666,278 Shares)

Notes:

- (1) Based on NAV for the Shares as at the applicable date.
- (2) Based on the maximum number of Offered Shares offered hereunder and assuming the exercise of all Class D Warrants issued under the Warrant Offering and assuming that none of Class B Warrants outstanding are exercised.
- (3) Based on the maximum number of Offered Shares offered hereunder and assuming the exercise of all Class D Warrants issued under the Warrant Offering and assuming that all of the Class B Warrants outstanding are exercised.
- (4) As at the date hereof, the Company has 1,266,147 Class B Warrants outstanding.

PRICE RANGE, NET ASSET VALUE, TRADING VOLUME OF SHARES AND DISTRIBUTIONS

The Shares and Class B Warrants trade on the TSX under the symbol “FGX” and “FGX.WT.B”, respectively. The closing price of the Shares and Class B Warrants on the TSX on October 19, 2012 was \$8.16 and \$1.55, respectively and the NAV per Share on such date was \$8.45. The following tables set forth the closing market price range and trading volume of the Shares and the Class B Warrants on the TSX for the 12-month period prior to the date of this prospectus. All such information, other than the Diluted NAV per Share, NAV per Share and distributions per Share, was obtained from Bloomberg or the TSX and the Company, the Manager and the Agents do not assume any responsibility for the accuracy of such information.

Period	Shares					Closing Market Price		
	Diluted NAV per Share ⁽¹⁾		NAV per Share		Distribution per Share ⁽²⁾	High	Low	Volume
	High	Low	High	Low				
2012								
October 1 - 19	N/A	N/A	\$ 8.66	\$ 8.31	\$0.048 ⁽³⁾	\$ 8.43	\$8.09	49,765
September	N/A	N/A	\$ 8.65	\$ 7.88	\$0.048	\$ 8.46	\$7.50	103,262
August	N/A	N/A	\$ 7.91	\$ 7.05	\$0.048	\$ 7.84	\$6.90	65,577
July	N/A	N/A	\$ 7.60	\$ 6.93	\$0.048	\$ 7.44	\$6.66	54,994
June	N/A	N/A	\$ 7.98	\$ 7.10	\$0.048	\$ 7.89	\$7.31	40,806
May	N/A	N/A	\$ 7.95	\$ 6.51	\$0.048	\$ 8.00	\$6.28	80,424
April	N/A	N/A	\$ 8.59	\$ 7.61	\$0.048	\$ 8.49	\$7.88	91,163
March	\$ 9.40	\$9.02	\$ 9.51	\$ 8.34	\$0.048	\$ 9.25	\$8.14	131,329
February	\$ 9.82	\$9.30	\$10.00	\$ 9.38	\$0.048	\$ 9.57	\$9.03	100,390
January	\$ 9.76	\$9.22	\$ 9.93	\$ 8.90	\$0.048	\$ 9.44	\$8.62	232,781
2011								
December	\$ 9.95	\$9.06	\$10.16	\$ 8.67	\$0.048	\$ 9.50	\$8.30	271,021
November	\$10.39	\$9.53	\$11.18	\$ 9.66	\$0.048	\$ 9.88	\$9.15	445,902
October	\$10.10	\$9.55	\$10.67	\$ 9.74	\$0.047	\$ 9.80	\$9.14	208,198
September	\$11.32	\$9.77	\$11.97	\$10.01	\$0.047	\$10.85	\$9.55	239,823
August	\$10.91	\$9.96	\$11.45	\$10.26	\$0.047	\$10.35	\$9.50	342,567

Notes:

- (1) Diluted NAV per Share is not calculated where the exercise price of outstanding warrants is greater than the NAV per Share at such time.
- (2) Distributions are listed by the month in which such distribution was declared.
- (3) On October 15, 2012, the Company declared a distribution per Share of \$0.048 payable on November 14, 2012 to Shareholders of record on October 31, 2012.

Period	Class B Warrants		
	Closing Market Price		
	High	Low	Volume
2012			
October 1 - 19	\$1.70	\$1.55	8,900
September	\$1.69	\$1.52	920
August	\$1.40	\$1.30	1,000
July	\$1.35	\$1.30	2,200
June	\$1.50	\$1.22	1,201
May	\$1.55	\$1.55	11,100
April	\$1.60	\$1.50	6,825
March	\$1.80	\$1.50	15,750
February	\$1.80	\$1.80	11,552
January	\$1.80	\$1.65	30,400
2011			
December	\$1.80	\$1.50	35,000
November	\$2.00	\$1.80	43,006
October	\$2.00	\$1.31	36,000
September	\$2.35	\$1.80	83,900
August	\$2.05	\$1.60	20,500

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as agents of the Company to offer the Offered Shares for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Company in accordance with the conditions contained in the Agency Agreement. The Offered Shares will be issued at a price of \$8.45 per Offered Share. The offering price per Offered Share was determined by negotiation between the Agents and the Manager on behalf of the Company. The price per Offered Share will be equal to the most recently calculated NAV per Share prior to the filing of the final prospectus. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.3380 (4.0%) per Offered Share sold under the Offering and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Company out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Shares offered hereby, the Agents will not be obligated to purchase any Offered Shares which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing and gives the Agents the right to purchase additional Shares in an amount equal to up to 15% of the aggregate number of Offered Shares issued on Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Shares will be sold at \$8.45 per Share and the Agents will be paid a fee of \$0.3380 (4.0%) per additional Share sold. This short form prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Shares forming part of the over-allocation position acquires such Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The maximum number of Offered Shares which will be sold is 4,733,740 Offered Shares or \$40,000,103. **There is no minimum amount for the Offering.** Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Offered Shares on behalf of subscribers. Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about November 9, 2012 or such later date as the Company and the Agents may agree, but in any event not later than 90 days after a receipt for the final short form prospectus is issued.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this short form prospectus, bid for or purchase Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of relevant self-regulatory authorities relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with this Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Company and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

The Company is not a trust company and is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

The Agents have agreed that they will not solicit acceptances or offer to sell Shares in the United States or its territories or possessions or from United States Persons (as that term is defined in Regulation S under the *United States Securities Act of 1933*) except as permitted by United States securities laws. The Shares have not

been, and will not be, registered under the *United States Securities Act of 1933*, as amended. Accordingly, the Offered Shares will not be offered, sold or delivered in the U.S.

Pursuant to the Agency Agreement, the Company and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

The TSX has conditionally approved the listing of the Offered Shares distributed under this short form prospectus. Listing of the Offered Shares is subject to the Company fulfilling all of the listing requirements of the TSX.

USE OF PROCEEDS

The securities of Exchange Eligible Issuers acquired pursuant to the Exchange Option will either be held and form part of the Portfolio or sold, and if sold the net proceeds therefrom, together with any cash subscriptions accepted pursuant to the Cash Offer, will be used by the Company to acquire additional Portfolio securities, all in accordance with the investment objectives and investment strategy of the Company and subject to its investment restrictions.

The net proceeds of the Offering, after deducting expenses of the Offering (including the Agents' fees) are expected to be approximately \$38,150,099 (assuming the maximum number of Shares is sold in the Offering).

PRIOR SALES

On September 26, 2011, the Company filed a final short form prospectus in respect of an offering of rights to purchase Shares (the "**Rights**") to Shareholders of record on October 14, 2011 (the "**Rights Offering**"). Pursuant to the Rights Offering, each Shareholder was entitled to receive one Right for each Share held. Two Rights entitled the holder thereof to subscribe for one Share at a subscription price of \$9.80. Upon completion of the Rights Offering in November 2011, a total of 1,868,710 Shares were issued as a result of the exercise of 3,737,420 Rights for gross proceeds to the Company of \$18.3 million.

Apart from such issuances, and the exercise of previously outstanding warrants of the Company, there has been no issuance of securities by the Company since September 1, 2011.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "Fees and Expenses" for its services to the Company and will be reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations that generally apply to the disposition of securities of Exchange Eligible Issuers and the acquisition, holding and disposition of Shares by a purchaser who acquires Shares pursuant to this short form prospectus. This summary is applicable to investors who, for purposes of the Tax Act and at all relevant times, are resident or deemed to be resident in Canada, deal at arm's length with the Company, are not affiliated with the Company and hold securities of an Exchange Eligible Issuer and Shares as capital property (a "**Holder**"). Generally, the securities of an Exchange Eligible Issuer and Shares will be considered to be capital property to a purchaser provided that the purchaser does not hold such securities or Shares in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold securities of Exchange Eligible Issuers or Shares as capital property may, in certain circumstances, be entitled to have such securities and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts set out in this short form prospectus, a certificate of the Manager regarding certain factual matters, the provisions of the Tax Act and the regulations thereunder in force on the

date hereof, counsel's understanding of the current publicly available published administrative positions and assessing practices of the Canada Revenue Agency (the "CRA") and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) (the "Minister") prior to the date hereof (the "Proposed Amendments"). This summary does not otherwise take into account or anticipate any changes in law or administrative policies and assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Shares and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of securities of Exchange Eligible Issuers and Shares will vary depending on the purchaser's particular circumstances including the province(s) or territory(ies) in which the purchaser resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Shares based on their particular circumstances.

This summary is based on the assumption that the Company will qualify at all times as a "mutual fund corporation" within the meaning of the Tax Act. **In the event the Company were not to qualify as a mutual fund corporation at all times, the income tax consequences described below would in some respects be materially different.**

This summary is also based on the assumption that none of the issuers of the securities held by the Company will be foreign affiliates of the Company or of any Holder. This summary also assumes that none of the securities held by the Company will be (a) an offshore investment fund property that would require the Company to include significant amounts in the Company's income pursuant to section 94.1 of the Tax Act, (b) interests in non-resident trusts, other than an "exempt foreign trust" for the purposes of proposed section 94 of the Tax Act, or (c) any interests in a trust (or a partnership which holds such an interest) which would require the Company (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, each as set forth in draft legislation released by the Minister on August 27, 2010 (or such proposals as amended or enacted or successor provisions thereto). This summary does not apply to Holders that are "financial institutions" (as defined in the Tax Act), to a Holder an interest in which is a "tax shelter investment" (as defined in the Tax Act) or to a Holder that makes the functional currency reporting election in accordance with the provisions in the Tax Act in that regard.

Status of the Company

The Company currently qualifies, and intends to qualify at all relevant times, as a "mutual fund corporation" as defined in the Tax Act. To qualify as a mutual fund corporation, (i) the Company must be a "Canadian corporation" that is a "public corporation" for purposes of the Tax Act, (ii) the only undertaking of the Company must be the investing of its funds in property (other than real property or interests in real property or immovable or real rights in immovables); and (iii) at least 95% of the fair market value of all of the issued shares of the capital stock of the Company must be redeemable at the demand of the holders of those shares.

Taxation of the Company

As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Company is entitled to maintain a capital gains dividend account in respect of its net realized capital gains and from which it may elect to pay dividends ("**Capital Gains Dividends**") which are treated as capital gains in the hands of the Holders of the Company. In certain circumstances where the Company has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions.

In computing income for a taxation year, the Company will be required to include in income all dividends received by the Company in the year. In computing taxable income, the Company will generally be permitted to deduct all dividends received by it from taxable Canadian corporations. The Company will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

The Manager has advised counsel that the Company has made an irrevocable election in accordance with subsection 39(4) of the Tax Act to have each of its “Canadian securities”, as that term is defined in the Tax Act, treated as capital property. Such an election will ensure that gains or losses realized by the Company on the disposition of Canadian securities are treated as capital gains or capital losses.

As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company is generally subject to a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received by the Company during the year to the extent that such dividends were deductible in computing the Company’s taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than Capital Gains Dividends (“**Ordinary Dividends**”). The Company qualifies as a “financial intermediary corporation” (as defined in the Tax Act) and, thus, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company.

To the extent that the Company earns income (other than dividends from taxable Canadian corporations and taxable capital gains), including interest and dividends from corporations other than taxable Canadian corporations and gains from the sale of gold bullion to the extent that such gains are not treated as capital gains, the Company will be subject to income tax at full corporate rates applicable to mutual fund corporations on such income and no refund will be available in respect thereof. Although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances, the CRA has expressed the opinion that gains (or losses) of mutual funds resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains. The Manager has advised counsel that the Company will include gains and deduct losses realized on the disposition of gold bullion on income account.

Premiums received on covered call options and cash secured put options written by the Company which are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums are received by the Company as income from a business or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Company has and will continue to purchase the securities in the Portfolio with the objective of earning distributions and dividends thereon over the life of the Company, will write covered call options with the objective of increasing the yield on the Portfolio beyond the distributions and dividends received on the Portfolio and will write cash secured put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of such cash secured put options. Having regard to the foregoing, and in accordance with the CRA’s published administrative policies, transactions undertaken by the Company in respect of securities comprising the Portfolio and options on such securities will be treated and reported by the Company as arising on capital account.

Premiums received by the Company on covered call (or cash secured put) options which are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Company of the securities disposed of (or acquired) by the Company upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Company in the previous year, such capital gain is required to be deducted from income in the year in which it was originally included.

The Company will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Offered Shares. Such issue expenses, including the Agents’ fees, will be deductible by the Company ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. Generally, the Company will also be entitled to deduct reasonable administrative and other ongoing expenses incurred by it for the purposes of earning income. The Company is generally entitled to deduct administrative expenses and interest payable by it on money borrowed to purchase securities. Any non-capital losses incurred by the Company may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Company.

Proposed Amendments released for public comment on October 31, 2003 (the “**October 31 Proposed Amendments**”) may deny losses realized in a year in respect of a business or property if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business or has held, and can reasonably be expected to hold, that property. For these purposes, profit does not include capital gains. If the October 31 Proposed Amendments are applied to the Company, certain losses in respect of a business or property of the Company could be denied. On February 23, 2005 the Department of Finance announced that it will, at an early opportunity, release an alternative to the October 31 Proposed Amendments for comment. To date, such alternative Proposed Amendments has not been released.

The Company intends to pay a special year-end Capital Gains Dividend to holders of Shares where the Company has net taxable capital gains upon which it would otherwise be subject to tax or a special year-end Ordinary Dividend where the Company needs to pay a dividend in order to recover refundable tax. While the principal sources of income of the Company are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Company earns net income, after expenses, from other sources, including dividends from non-Canadian sources, interest income upon interim investment of its reserves and gains from the sale of gold bullion to the extent such gains are not treated as capital gains, the Company will be subject to income tax on such income and no refund of such tax will be available.

Taxation of Holders

The Exchange Option

Purchasers acquiring Shares pursuant to the Exchange Option will also receive as additional consideration their *pro rata* portion, represented by the number of Shares purchased, of a cash pool of funds which has been set aside by the Company totalling \$1,000. As a result, a purchaser who deposits securities of an Exchange Eligible Issuer in exchange for Shares pursuant to the Exchange Option will receive such Shares plus a nominal amount of cash. A purchaser who disposes of securities of Exchange Eligible Issuers in exchange for Shares generally will realize a capital gain (or a capital loss) in the taxation year of the Holder in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities to the Holder. For this purpose, the proceeds of disposition to the Holder will equal the aggregate of the fair market value of the Shares received and the amount of any cash received in lieu of fractional Shares together with the *pro rata* portion of the cash pool of funds referred to above. The cost to a Holder of Shares so acquired will be equal to the fair market value of the securities of the Exchange Eligible Issuers disposed of in exchange for such Shares at the time of disposition, less any cash received in lieu of fractional Shares and the *pro rata* portion of the cash pool of funds referred to above, which sum would generally be equal to or would approximate the fair market value of the Shares received as consideration for the securities of Exchange Eligible Issuers. In computing the adjusted cost base of a Share acquired by a Holder pursuant to this short form prospectus, the cost of such Share must be averaged with the adjusted cost base of any other Shares then held by that Holder as capital property.

To the extent that a Holder has received distributions on certain securities of Exchange Eligible Issuers which were in excess of the Holder’s share of the net income and net realized capital gains of the relevant Exchange Eligible Issuer (i.e., returns of capital), those distributions may have resulted in a reduction of the Holder’s adjusted cost base of such securities.

Taxable capital gains realized by a Holder may give rise to alternative minimum tax depending on the Holder’s circumstances.

For commentary on the taxation of capital gains and losses see below under “Taxation of Holders — Holding and Disposing of Shares.”

Holding and Disposing of Shares

Holders must include in income Ordinary Dividends paid to them by the Company. For individual Holders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. The Tax Act provides an enhanced dividend gross-up and tax

credit for eligible dividends received from the Company. For corporate Holders, other than “specified financial institutions” (as defined in the Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

A special distribution may consist of a Capital Gains Dividend and/or Ordinary Dividend. Where an Ordinary Dividend is paid in Shares, the cost of such Shares acquired by a Holder who is an individual will be equal to the amount of the dividend. A Holder that is a corporation and receives an Ordinary Dividend that is paid in Shares should consult with its own tax advisor regarding the cost of such Shares because, under certain Tax Proposals, such cost may be less than the amount of the dividend if such dividend is deductible by such corporation and to the extent that such dividend exceeds the “safe income” in respect of the Shares held by such corporation. Where a Capital Gains Dividend is paid in Shares, the cost of such shares will be equal to the amount of the dividend. For the purposes of determining the adjusted cost base to a Holder of Shares, when Shares are acquired, the cost of the newly acquired Shares will be averaged with the adjusted cost base of all of the Shares owned by the Holder as capital property immediately before that time. The consolidation of Shares after a special distribution will not be a taxable event for Holders. The aggregate adjusted cost base to a Holder of all of the Holders’ Shares will not change as a result of a consolidation of Shares; however, the adjusted cost base per Share will increase.

In the case of a Holder that is a specified financial institution, Ordinary Dividends received on Shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the shares in the ordinary course of its business, or (b) at the time of the receipt of the dividends by the specified financial institution the shares of that class are listed on a designated stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

A Holder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received or deemed to be received on the Shares to the extent that such dividends are deductible in computing the Holder’s taxable income.

The amount of any payment received by a Holder from the Company as a return of capital on a Share will not be included in computing the income of the Holder. Instead, such amount will reduce the adjusted cost base of the relevant Share to the Holder. To the extent that the adjusted cost base of the Share to the Holder would otherwise be a negative amount, the Holder will be considered to have realized a capital gain at that time equal to such negative amount and the Holder’s adjusted cost base will be increased by the amount of such deemed capital gain.

The amount of any Capital Gains Dividend received by a Holder from the Company will be considered to be a capital gain of the Holder from the disposition of capital property in the taxation year of the Holder in which the Capital Gains Dividend is received.

Upon the redemption, retraction or other disposition of a Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Holder is a corporation, any capital loss arising on the disposition of a Share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each Share will generally be the weighted average of the cost of the Shares acquired by a Holder at a particular time and the aggregate adjusted cost base of any Shares held immediately before the particular time.

One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act. A Holder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

Individuals (other than certain trusts) who realize net capital gains or receive dividends may be subject to an alternative minimum tax under the Tax Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel for the Agents, provided that the Shares are listed on a designated stock exchange (which includes the TSX), the Shares will be qualified investments under the Tax Act for Registered Plans. The Shares will not be “prohibited investments” for a trust governed by a TFSA, RRSP or RRIF provided the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, deals at arm’s length with the Company for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Company or in any corporation, partnership, or trust with which the Company does not deal at arm’s length for purposes of the Tax Act. Such holders or annuitants to whom Shares otherwise would be prohibited investments as described above should consult their own tax advisors, including with respect to any potential relief under an undated “comfort letter” of the Department of Finance provided in 2012 by it to the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants.

RISK FACTORS

An investment in Shares is subject to various risk factors, including the following risks which prospective purchasers should consider before purchasing any Offered Shares.

Dilution to Existing Shareholders and Purchasers

Concurrently with the Offering, the Company is issuing to Shareholders of record on November 8, 2012 an aggregate of 4,478,165 Class D Warrants exercisable to purchase a maximum of 4,478,165 Shares at an exercise price per Share equal to \$10.00. Investors acquiring Offered Shares under the Offering will not receive Class D Warrants being issued in respect of the Offered Shares acquired pursuant to the Offering and, accordingly, will suffer dilution to the extent that the NAV exceeds the exercise price of the Class D Warrants when the Class D Warrants are exercised. Since the completion of the Warrant Offering is not conditional on the completion of the Offering, and there is no minimum size of the Offering, the effect of the dilution on Shareholders or purchasers under this prospectus will be greater the fewer the Shares issued hereunder and such dilution may be significant.

In addition, the Company currently has 1,266,147 outstanding Class B Warrants which are exercisable to purchase one Share at a price of \$9.05. The value of Offered Shares acquired pursuant to the Offering and the NAV per Share will be reduced if the NAV per Share exceeds the exercise price of the Class B Warrants or Class D Warrants or any other warrants which may be outstanding from time to time at the time when such warrants are exercised. In addition, a Shareholder’s pro rata interest in the assets of the Company and the amount available for distribution to Shareholders will be diluted as a result of the exercise of Class B Warrants or Class D Warrants or any other warrants which may be outstanding from time to time. See “The Company — Concurrent Warrant Offering”.

Performance of Issuers

The NAV per Share will vary according to the value of the securities in which the Company invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the securities acquired by the Company will be affected by business factors and risks that are beyond the control of the Manager or the Company. In addition, the performance of certain of the Portfolio Companies may be affected by business factors and risks other than their exposure to gold prices, which may be more determinative of such Portfolio Companies performance. Some of these factors and risks are: (i) some of the issuers in which the Company invests may have limited operating histories; (ii) operational risks related to specific business activities of the respective issuers; (iii) quality of underlying assets; (iv) financial performance of the respective issuers and their

competitors; (v) volatility in the price of gold; (vi) environmental risks; (vii) political risks; (viii) fluctuations in exchange rates; (ix) fluctuations in interest rates; and (x) government regulations, including regulations to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The amount of dividends available for payment to Shareholders will depend in part on the amount of dividends paid by the Portfolio Companies.

The Company may make investments in securities that have low trading volumes. Accordingly, it may be difficult for the Company to make trades in these securities without adversely affecting the price of such securities and consequently the Net Asset Value of the Company.

The NAV per Share, as calculated by the Manager, may not reflect the price for which the Shares can actually be sold.

Concentration Risk

The Portfolio will generally consist only of securities of gold exploration, mining and production companies and it is anticipated that a large proportion of the Portfolio will be comprised of stock of ten issuers. As a result, the Company's holdings will not be diversified and the Net Asset Value may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect gold exploration, mining and production. This may have a negative impact on the value of the Shares.

The completion of the Exchange Option may alter the target weighting of the Portfolio such that initially it will not represent the weighting preferred by the Manager. Until the Manager rebalances the Portfolio, the performance of the Portfolio may be different than what would otherwise be the case. Under normal market conditions, the Manager anticipates that the rebalancing will be substantially completed within 30 to 60 days following the date of closing of the Offering. There will be trading costs associated with the rebalancing which may reduce the NAV of the Company.

Fluctuations in the Value of Gold Companies

The value of the Shares will vary according to the value of the Portfolio Companies, which will depend, in part, upon the performance of such Portfolio Companies. The value and the performance of the Portfolio Companies will be influenced by a number of factors which are not within the control of the Company, including gold and other commodity prices, operational risks relating to the specific business activities of Portfolio Companies, risks relating to mineral exploration, mining and production, imprecision of resource, reserve and production estimates, reserve replenishment, claims and defects in title to mineral properties, industry competition, uncertainty and costs of funding capital projects, interest rates, exchange rates, environmental, health and safety risks, political and economic risks, issues relating to government regulation and risks relating to operating in foreign jurisdictions. There is no guarantee that an increase in the price of gold will have a positive effect on the performance of Portfolio Companies.

Gold Price Volatility

The business activities, operational results and financial condition of the Portfolio Companies are speculative and will be dependent upon the prices received for gold production. Gold prices have fluctuated widely during recent years and may be adversely affected by a number of factors which are not within the control of the Company, including supply and demand factors; production levels and production costs in key gold producing countries; governmental regulation; weather, political and economic conditions in gold producing and consuming countries; and the actions of investment and hedge funds in the gold market, among other things. Any decline in gold prices would likely have an adverse effect on the value of Portfolio Companies and the prices at which their securities trade, which in turn could have a material adverse effect on the Company. In addition, such Portfolio Companies may not hold, discover or successfully exploit commercial quantities of gold, which would adversely affect the value of investment in the securities of such Portfolio Companies. Statements set out in this prospectus relating to forecasted gold demand and supply growth constitute forward looking statements, which involve known and unknown risks, uncertainties and other factors that may result in such statements being inaccurate in whole or in part.

If volatility decreases, it is anticipated that a greater percentage of the Portfolio will be subject to covered call options.

Exploration and Mining Risks; Uninsurable Risks

The business of exploration for metals and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At the time of investment in a mining issuer by the Company, it may not be known if such mining issuer's properties have a known body of ore of commercial grade. Unusual or unexpected formations, formation pressures, fires, explosions, rock bursts, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the mining issuer to obtain suitable machinery, equipment or labour are all risks which may occur during exploration for and development of mineral deposits. Substantial expenditures are required in order to establish reserves through drilling, to develop metallurgical processes to extract the metal from the ore, to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals, as applicable, will be discovered in sufficient quantities by the issuers in which the Company may invest to justify commercial operations or that such issuers will be able to obtain the funds required for development on a timely basis or at all. The economics of developing mining properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of gold which can be obtained on the metal markets, and such other factors as land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. There is no certainty that the expenditures to be made by the mining issuer in the exploration and development of the interests described herein will result in discoveries of commercial quantities of a resource.

A mining issuer may become subject to liability against which it cannot insure or against which it may elect not to insure.

No Assurance of Title or Boundaries, or of Access

While a mining issuer may have registered its mining claims, as applicable, with the appropriate authorities and filed all pertinent information to industry standards, this cannot be construed as a guarantee of title. In addition, a mining issuer's properties may consist of recorded mineral claims or licences which have not been legally surveyed, and therefore, the precise boundaries and locations of such claims or leases may be in doubt and may be challenged. A mining issuer's properties may also be subject to prior unregistered agreements or transfers or land claims, and a mining issuer's title may be affected by these and other undetected defects.

Foreign Country Risk

A mining issuer's mining property interests may be located in foreign jurisdictions, and its exploration operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the mining issuer.

Government Regulation

A mining issuer's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rate of exchange, return of capital and labour relations. Such factors may adversely affect the mining issuer's business and/or its mining property holdings. Although a mining issuer's exploration activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the mining issuer's operations. Amendments to current laws and regulations governing the operations of a mining issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the mining issuer.

Environmental Regulation

A mining issuer's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas which would result in environmental pollution. A breach of such legislation may result in the imposition on the mining issuer of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of a mining issuer's operations.

Sensitivity to Interest Rates

The market price of the Shares may be affected by the level of interest rates prevailing from time to time. In addition, the Net Asset Value may be highly sensitive to interest rate fluctuations because the value of the Company's investments will fluctuate based on interest rates. Further, any decrease in the Net Asset Value resulting from an increase in interest rates may also negatively affect the market price of the Shares. Shareholders who wish to redeem or sell their Shares will, therefore, be exposed to the risk that the Net Asset Value or the market price of the Shares will be negatively affected by interest rate fluctuations. Increases in interest rates will also increase the Company's costs of borrowing.

Use of Options and Other Derivative Instruments

The Company is subject to the full risk of its investment position in the securities comprising its Portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Company, should the market price of such securities decline. In addition, the Company will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options.

The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk, trading execution risk and short selling risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Company to write covered call options or cash covered put options or purchase cash secured put options on desired terms or to close out option positions should the Manager desire to do so. The ability of the Company to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Company is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Company will be obligated to acquire a security at a strike price which may exceed the then current market value of such security.

In purchasing call or put options or entering into forward contracts, the Company is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is risk of loss by the Company of margin deposits in the event of the bankruptcy of the dealer with whom the Company has an open position in an option or futures or forward contract. The ability of the Company to close out its positions may also be effected by exchange imposed daily trading limits on options and futures contracts. If the Company is unable to close out a position it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Company's ability to use derivatives instruments to effectively hedge its Portfolio or implement its investment strategy.

The use of options may have the effect of limiting or reducing the total returns of the Company if the Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the Portfolio. In such an event, the Company would have to increase the percentage of the Portfolio that is subject to covered call option in order to meet its targeted distributions.

Securities Lending

The Company may engage in securities lending as described in the AIF. Although the Company will receive collateral for the loans and such collateral will be marked-to-market, the Company will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Leverage Related to the Loan Facility

Based on current levels of volatility of the option eligible securities in the Portfolio, it is expected that leverage is not required in order for the Portfolio to generate sufficient cash proceeds to meet the current targeted level of distributions. However, the Manager can employ leverage, to a maximum of approximately 20% of NAV (determined immediately prior to the borrowing), where it believes it can add value and yield to the Portfolio by doing so. If the Company does utilize leverage, there can be no assurance that the borrowing strategy employed will enhance returns or help the Company achieve the investment objectives and, to the extent that the interest payable on and other expenses of the Company's loan facility exceed the incremental returns to the Company on the additional securities purchased for the Portfolio thereby, the strategy may reduce returns to the Shares, as compared to the situation where no amounts were drawn under the loan facility.

In addition, a reduction in the Company's assets does not change the amount that must be paid on account of amounts drawn under the Company's loan facility. Since any required repayment of amounts under the loan facility decreases dollar for dollar the Net Asset Value, the NAV per Share will decrease to a proportionately greater extent, as compared to the situation where the Company did not utilize the loan facility.

If at any time the amount owing under the Company's loan facility exceeds 20% of total assets or is called by the lender, the Company may be required to liquidate investments to comply with the restriction or to repay the indebtedness. Such sales may occur at a time when the market for the investments is depressed, affecting the value of the Portfolio and the return to the Company. In addition, the Company may not be able to renew the loan facility on acceptable terms.

For these reasons, there can be no assurance that any borrowing strategy employed by the Company will enhance returns, and it may, in fact, reduce returns.

Foreign Currency Exposure

As the Portfolio will include securities and options denominated in U.S. dollars or other foreign currencies, and because a large proportion of the operating costs or assets of gold companies may be valued in U.S. dollars or foreign currencies, the Net Asset Value and the value of the dividends and option premiums received by the Company will be affected by fluctuations in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. The Company may not be hedged at all times and accordingly, no assurance can be given that the Company will not be adversely impacted by changes in foreign exchange rates. As the Portfolio will include securities of issuers exposed to U.S. dollars and other foreign currencies, the Net Asset Value and distributable cash, (which will not be hedged in any circumstances) when measured in Canadian dollars, will, to the extent that this has not been fully hedged against, be affected by changes in the value of these currencies relative to the Canadian dollar.

The use of currency hedges involves special risks including the possible default by the other party to the transaction, illiquidity and to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if hedging had not been used. The hedging arrangements may have the effect of limiting or reducing the total returns of the Company if the Manager's

expectations concerning future events or market conditions prove to be incorrect. In addition, costs associated with the hedging program may outweigh the benefits of the arrangements in some circumstances.

No Assurance in Achieving Investment Objectives or Providing Distributions

There is no assurance that the Company will be able to achieve its investment objectives in respect of the Shares and be able to make distributions to Shareholders as anticipated. In addition, there can be no assurance that any distributions made to Shareholders will not be fully taxable. Changes in the relative weightings between the various types of investments held by the Company can affect the overall yield to Shareholders.

No Assurance in Making any Distributions or Making Target Distribution Amounts

There is no guarantee that an investment in the Company will earn any positive return in the short term or long term. There is no assurance that the Company will be able to achieve its target distributions in respect of the Shares. It is intended that the Company will pay distributions on the Shares from income from option writing, capital gains from the Portfolio and to a small extent, dividends received. There is no guarantee that the requisite return will be achieved by the Company.

Fluctuations in Net Asset Value

The Net Asset Value and the funds available for distributions, if any, will vary according to, among other things, the value of the Portfolio and the distributions and dividends paid and interest earned thereon. Fluctuations in the market value of the Portfolio may occur for a number of reasons beyond the control of the Manager or the Company. Overweighting the Portfolio in certain sectors of the gold industry or countries involves risk that the Company will suffer losses because of general declines in the prices of securities in those sectors, or countries. The value of the Portfolio will be influenced by the performance of the issuers whose securities are included in the Portfolio, their distribution or dividend payment policies and yields and financial market and economic conditions generally. A substantial drop in the equities markets could be expected to have a negative effect on the Company. If such drop were to lead to a significant decline in the Net Asset Value, the Company could be prevented from meeting its investment objectives.

Loss of Investment

An investment in the Shares is appropriate only for investors who have the capacity to absorb investment losses. An investment in the Shares is appropriate only for investors who can withstand distributions not being made, for any period of time.

Trading Price of the Shares

The Shares may trade in the market at a premium or at a discount to the NAV per Share and as such there can be no assurance that the Shares will trade at the NAV per Share.

Dilutive Offerings

As a result of amendments to the articles of the Company approved by Shareholders on April 30, 2009 described under “The Company”, the Company may issue Shares for net proceeds less than the most recently calculated NAV per Share. Any Shares issued for net proceeds less than the most recently calculated NAV per Share will have a dilutive impact on the value of any existing Shares held by Shareholders.

Reliance on the Manager

The Manager is responsible for providing, or arranging for the provision of management and administrative services, including investment and portfolio management services, required by the Company. Investors who are not willing to rely on the Manager should not invest in Shares.

Status of the Company

As the Company is not a “mutual fund” as defined under Canadian securities laws, the Company is not subject to the Canadian policies and regulations that apply to open-end mutual funds such as National Instrument 81-102 — Mutual Funds.

The Shares are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation.

Taxation of the Company

If the Company ceases to qualify as a “mutual fund corporation” under the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund corporations will not be changed in a manner that adversely affects the Shareholders.

Although the Manager expects that the Proposed Amendments released for public comment on October 31, 2003 (the “**October 31 Proposed Amendments**”), if enacted as proposed, should not adversely affect the deduction by the Company of interest and other expenses incurred by it, it is possible that they could do so, thereby increasing the net income of the Company for tax purposes. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposed Amendments would be released for comment at an early opportunity. The alternative proposal has not yet been released.

In determining its income for tax purposes, the Company treats gains and losses realized on the disposition of securities held by it, option premiums received on the writing of covered call options and cash secured put options and any losses sustained on closing out options as capital gains and capital losses in accordance with CRA’s published administrative practice. CRA’s practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from CRA. If some or all of the transactions undertaken by the Company were treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Company may be subject to non-refundable income tax in respect of income from such transactions, and the Company may be subject to penalty taxes in respect of excessive capital gains dividend elections.

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act (“**FATCA**”) generally impose a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (“**withholdable payments**”) and (b) “passthru payments” (generally, withholdable payments and payments that are attributable to withholdable payments) made by non-U.S. financial institutions. Under FATCA, unless the Company enters into an agreement with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to report to the IRS information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the Company (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Company will be subject to 30% withholding tax on withholdable payments made to it after December 31, 2013 and on foreign passthru payments (generally, passthru payments that are not withholdable payments) made to it after December 31, 2016 by non-U.S. financial institutions that have an agreement with the IRS in effect. If the interests in the Company are not regularly traded on an established securities market, the Company generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders that fail to provide information requested by the Company to comply with FATCA. It is expected that Shares will be regularly traded on an established securities market. In addition, regardless of whether Shares will be regularly traded on an established securities market, the Company may be required to withhold U.S. tax on a portion of payments made by the Company after December 31, 2016 to any non-U.S. financial institution (for example, a Shareholder’s Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institutions through which distributions on the Shares are made. Similarly, non-U.S. financial institutions that have entered into a FATCA agreement with the IRS and that hold Shares on

behalf of a Shareholder may be required to withhold 30% U.S. tax on foreign passthru payments that they make with respect to the Shares after December 31, 2016, to a non-U.S. financial institution that has not entered into a FATCA agreement with the IRS or to a Shareholder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA.

This description is based on guidance issued by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to the Shares.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the natural resource, energy or real estate industries will not be changed in a manner that adversely affects the Portfolio and as a result the distributions received by the Company or by the Shareholders. In addition, there can be no assurance that proposed changes to income tax laws will be enacted.

Conflicts of Interest

The Manager and its directors and officers and their respective affiliates and associates may engage in, the promotion, management or investment management of one or more funds or trusts which invest in securities of gold companies.

Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Company, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Company.

Significant Redemptions

The purpose of the annual redemption right is to prevent Shares from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. Furthermore, if a substantial number of Shares are redeemed, the number of Shares outstanding could be significantly reduced with the effect of decreasing liquidity of the Shares in the market. In addition, the expenses of the Company would be spread among fewer Shares resulting in a lower NAV per Share than if there were fewer redemptions. If as a result of significant redemptions, the Manager determines that it is in the best interests of Shareholders to terminate the Company, the Manager could terminate the Company without Shareholder approval.

Other closed end funds with annual redemption rights similar to the redemption rights in respect of the Shares, including other Faircourt funds, have experienced significant redemptions on annual redemption dates in the past.

Suspension of Redemptions

The Company may suspend the redemption of Shares or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Company's assets (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Manager to determine the value of the assets of the Company. In the event of a suspension of redemptions, Shareholders may experience reduced liquidity.

EXPERTS

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon by Stikeman Elliott LLP on behalf of the Company and Blake, Cassels & Graydon LLP on behalf of the Agents. As at the date hereof, the designated professionals of Stikeman Elliott LLP as a group, and the designated professionals of Blake, Cassels & Graydon LLP as a group, respectively beneficially own, directly or indirectly, less than one percent of the outstanding Shares.

AUDITOR

The Company’s auditor is PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor’s report dated March 23, 2012 in respect of the Company’s financial statements as at December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010.

PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

CUSTODIAN

CIBC Mellon Trust Company has been appointed the custodian of the Company’s assets. The address of the Custodian is 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6. The Custodian may employ sub-custodians as considered appropriate by the Company in the circumstances. If the Custodian has delivered possession of securities to a third party (other than an affiliate of the Custodian or an appointed sub custodian) in connection with its services as custodian, it will not be responsible or liable for the holding or control of such securities for any loss of or diminution in value of such securities.

EXEMPTIONS AND APPROVALS

The Company has applied to the Ontario Securities Commission pursuant to Section 15.1 of National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”) for an exemption from the prohibition in Subsection 13.5(2)(a) of NI 31-103 against a registered adviser knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, from purchasing a security of an issuer in which a responsible person or associate of a responsible person is a partner, officer or director unless this fact is disclosed to the client and the written consent of the client is obtained before the investment is made in respect of the acquisition by the Company of any shares of Metals Plus Income Corp. (“**MPI**”) that are deposited pursuant to the Exchange Option. No assurances can be given that the exemption will be granted prior to closing, if at all. If it is not received, shares of MPI will be re-credited to purchasers’ accounts through CDS.

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company is the registrar and transfer agent and distribution agent for the Shares. CIBC Mellon Trust Company is also the warrant agent for the Class B Warrants and is expected to be the warrant agent for the Class D Warrants. The register and transfer ledger are kept by the registrar at its principal stock transfer offices located in Toronto.

VALUATION AGENT

CIBC Mellon Global Securities Services Company is the valuation agent of the Company’s assets. The address of the valuation agent is 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the Provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the short form prospectus (the "prospectus") of Faircourt Gold Income Corp. (the "Company") dated October 22, 2012 relating to the offering of Class A shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the prospectus, of our report to the shareholders of the Company on the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010 and the statements of operations and retained earnings and changes in net assets for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 23, 2012.

Toronto, Ontario
October 22, 2012

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants,
Licensed Public Accountants

CERTIFICATE OF THE COMPANY AND THE MANAGER

Dated: October 22, 2012

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada.

FAIRCOURT GOLD INCOME CORP.

By: (Signed) CHARLES TAERK
President, Chief Executive Officer and Director

By: (Signed) DOUGLAS WATERSON
Chief Financial Officer

**On behalf of the Board of Directors of
Faircourt Gold Income Corp.**

By: (Signed) MARSHALL MILLER
Director

By: (Signed) STEPHEN KANGAS
Director

**FAIRCOURT ASSET MANAGEMENT INC.
(as manager)**

By: (Signed) CHARLES TAERK
President, Chief Executive Officer and Director

By: (Signed) DOUGLAS WATERSON
Chief Financial Officer

**On behalf of the Board of Directors of
Faircourt Asset Management Inc.**

By: (Signed) MARSHALL MILLER
Director

By: (Signed) STEPHEN KANGAS
Director

CERTIFICATE OF THE AGENTS

Dated: October 22, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada.

CANACCORD GENUITY CORP.

By: (Signed) CRAIG G.H. WARREN

GMP SECURITIES L.P.

MACQUARIE PRIVATE WEALTH INC.

RAYMOND JAMES LTD.

By: (Signed) NEIL SELFE

By: (Signed) BRENT LARKAN

By: (Signed) J. GRAHAM FELL

**DESJARDINS
SECURITIES INC.**

**DUNDEE
SECURITIES LTD.**

**MACKIE
RESEARCH
CAPITAL
CORPORATION**

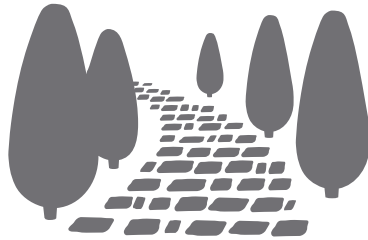
**PI FINANCIAL
CORP.**

By: (Signed) BETH A.
SHAW

By: (Signed) AARON
UNGER

By: (Signed) DAVID J.
KEATING

By: (Signed) CAROL
ELLIS



FAIRCOURT

— *Asset Management Inc.* —