

# **Golden Prospect Precious Metals Limited**

Annual Report and Audited Financial Statements

for the year ended 31 December 2015



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## Chairman's Statement

For the year ended 31 December 2015

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In spite of all the gloomy negatives that have been bedeviling the gold markets over the past few years, we have consistently argued in our last three reports that investors "should continue to have faith in the yellow metal" followed by our advice that "gold shares should continue to be accumulated" and in our very last statement in October predicting that "the improvement in sentiment within the gold sector looked set to continue"

I am happy to say that it seems we have finally entered a new bull market for gold and gold securities and one that by all accounts could put previous bull markets well and truly into the shade.

Already the GPPM net asset value has recovered 50 per cent in sterling terms to end March. At the time of writing, the Net Asset Value price per share was £0.37.

The first quarter of this year has been exceptionally robust and it's not hard to see why. The considerable increase in safe haven demand has resulted from the US Federal Reserve announcement early last month that it would include negative interest rate stress tests for US banks. This triggered a flight to safety scenario should global economic conditions deteriorate. In short, gold's recovery is clearly linked to the rapidly diminishing level of faith that investors and private citizens around the world have in Central Banks!

Plenty of pundits old and new are now very firmly favouring the bullish case for gold way over and above the shrinking few who remain steadfastly stuck to their bearish beliefs.

There are literally volumes written daily on events influencing the gold price in relation to the Fed, the Dow to gold ratio, China, Russia, India, Switzerland ...all pertaining to global debt fears and systemic failure of the financial system, more QE easy money policies, currency wars, pegs and bank runs stemming from negative interest rates. Add in the ripple effects of volatile oil prices, Brexit, dwindling mine and stock supplies of bullion and so on and one can easily attract a headache from such an assorted cocktail mix.

But as I have said before, one can buy into all sorts of theories and noise promulgated by the gold bugs, professional analysts, newsletter gurus and brokers none of which however really help clarify the situation. In truth no one can confidently or accurately predict the outcome of what in recent years has been an unprecedented period of financial turmoil and economic instability.

What is abundantly clear however, is that major gold mining CEO's, Wall Street Hedge Fund magnates, famous financial billionaires and their like are all collectively jumping on the bandwagon and extolling the virtues of gold and backing this up by placing big bets on a substantially higher gold price in the near and longer term.

Central Banks everywhere and Exchange Traded Funds remain the biggest buyers while there is no let-up in demand by private citizens, family offices and sovereign wealth funds. Gold and silver coin supplies have also been exhausted. In one instance a well-known major gold equities fund had to turn new retail investors away because it couldn't (temporarily) meet the stampede for its product at the time.

Quality gold itself is getting scarcer and scarcer. Good delivery bars, the wholesale market standard, are allegedly becoming extremely hard to obtain with reports that vaults in London are almost stripped bare. This situation is aggravated by the fact that much of the gold is subject to complicated leasing agreements and therefore tied up as far as being traded or moved.

Currently in spite of small volatile swings, the gold price has been showing significant strength against the weakness in other commodities. This would indicate that gold is no longer trading as a commodity but is trading as money which I have always believed and even more importantly there now seems to be a preference over other forms of money such as dollars, euro and yen. Does this mean or reflect that the US will actually implement a negative interest rate policy (NIRP for short as it has now been dubbed) in an unprecedented policy change. And in that event would NIRP spread globally as already it is trending in Japan, parts of Europe and Sweden.

## **Chairman's Statement (continued)**

For the year ended 31 December 2015

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This speculative prospect is frightening big money as NIRP means paying banks to hold one's cash.

As a result cash has started moving into gold. This is perhaps best illustrated by leading institutions like insurance companies, who have to hoard cash compulsorily for their regulatory and solvency margins, switching much of it into gold. A major insurance group, Munich Re, for example is reported to have recently bought up to 300,000 oz.

Could NIRP, so the argument runs, trigger a massive global 'run on the bank' as everyone begins trying to hoard currencies and gold to avoid penalties being charged by Central Banks for using paper money. The argument continues to be made that the only way to re-establish credibility (let alone stability) would be to establish a US dollar convertibility into gold event. Valid or not such speculation is what is believed to be driving the gold price higher and this momentum is expected to gather pace. (I must declare that personally I have difficulty coming to terms with the idea that the US Fed would actually adopt a negative interest rate policy unless of course the economic turmoil starts to run so deep that unprecedented measures become the only option).

As to the micro background, I leave our competent investment managers to take shareholders through their equities investment criteria, current asset allocation, portfolio strategy and stock selections in their invaluable report herein.

Finally, as a large personal holder of GPPM shares I am optimistic that the recovery in our net asset value will continue its steady climb over the foreseeable future.

**Malcolm Burne**  
**Chairman**

## Board Members

For the year ended 31 December 2015

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

The Directors of the Company at the date of signing the accounts, all of whom are non-executive, are listed below:

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

**Kaare Foy**, was an executive director of Great Panther Silver Limited, a silver exploration and mining company based in Vancouver, from 1994 until the beginning of 2012 and was its Executive Chairman when it reached a market capitalisation of more than US\$600 million in 2011. He is currently chairman of Viscount Mining Limited, and has been heavily involved with silver and gold projects in North America, and worked with Malcolm Burne at the Australian Bullion Company (Pty) Limited during the 1980s.

**Robert King**, is a non-executive director of a number of open and closed ended investment funds and companies including JPMorgan Senior Secured Loan Fund Limited and Threadneedle UK Select Trust Limited. He was a director of Cannon Asset Management Limited and its associated companies from October 2007 to February 2011. Prior to this, he was a Director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. Rob is British and resident in Guernsey.

**Toby Birch**, is a non-executive director of a number of investment funds and companies, including BullionRock which merged with Guernsey Gold during 2014. Previously he was managing director of Oppenheim & Co Limited in Guernsey and Blackfish Capital Holdings, the private investment arm of a single family office. He was also investment manager of the Blackfish Capital Exodus Fund trading in commodities, precious metals and real asset themes and was a director of the Blackfish-Investec Resources Special Situations Fund, investing in mining companies. He is a Chartered Fellow, and committee member, of the Chartered Institute for Securities and Investments, who have appointed him a Chartered Wealth Manager. He is a regular public speaker on the conference circuit and in the media, covering financial megatrends, precious metals, agricultural investment and monetary reform.

## **Directors' Report**

For the year ended 31 December 2015

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The Directors present their Report and the Audited Financial Statements of Golden Prospect Precious Metals Limited (the "Company") for the year ended 31 December 2015.

### **The Company**

The Company was registered in Guernsey on 16 October 2006 and is an authorised closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. The Company's shares and warrants were admitted to the Alternative Investment Market of the London Stock Exchange on 28 November 2006. On 5 June 2009, a special resolution was passed authorising the cancellation of the admission to trading on AIM. On 16 June 2009, the Company was simultaneously admitted to trading on the International Bulletin Board of the London Stock Exchange ("ITBB") and cancelled from trading on AIM. Effective 21 September 2009, the Ordinary Shares trade on the London Stock Exchange Electronic Trading Service SETS QX rather than the International Bulletin Board of the London Stock Exchange. The Company's Ordinary Shares and warrants were admitted to the Official List of the Channel Islands Stock Exchange ("CISX") on 24 June 2008. The subscription rights conferred by the warrants lapsed without exercise on 16 November 2009 and the warrants were delisted on 25 November 2011. All Subscription shares issued were admitted to trading on SETS QX and CISX on their issue date. The Subscription Shares expired on 28 November 2014 and were delisted on 8 December 2014.

On 20 December 2013 the Royal Court of Guernsey approved the scheme of arrangement ("the scheme") between CISX and The Channel Islands Securities Exchange Limited ("CISEL") and The Channel Islands Exchange Authority Limited ("CISEAL"). In accordance with the scheme, the business of CISX has been acquired by CISEAL. All securities that were listed on the Official List of CISX were transferred in accordance with Listing Rule 2.6A of the CISX Listing Rules and are now listed on the Official List of CISEAL.

### **Shareholder information**

Up to date information regarding the Company, including a daily announcement of Net Asset Value, can be found on the Company's website, which is [www.ncim.co.uk/gppm\\_top.php](http://www.ncim.co.uk/gppm_top.php)

### **Results and dividends**

The Company's performance during the year is discussed in the Investment Manager's Report on page 11. The results for the year are set out in the Statement of Comprehensive Income on page 15. The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: £nil).

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Directors are required by the Companies (Guernsey) Law, 2008 to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

## Directors' Report (continued)

For the year ended 31 December 2015

### Directors' responsibilities statement (continued)

In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors

The Directors of the Company who served during the year and to date are set out on page 4.

### Directors' Interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 31 December 2015, and as at the date of signing these Financial Statements:

Director	Ordinary Shares 2015	Ordinary Shares 2014
M Burne	437,500	437,500
K Foy	25,000	25,000
R King	20,000	20,000
T Birch	50,000	-

The Directors who served in the year received the following fees:

Director	2015 £	2014 £
M Burne *	12,000	12,000
K Foy **	12,000	12,000
R King	12,000	12,000
T Birch ***	12,000	9,000
J Bowles ^	-	3,000
P Craig ^	-	3,000

The amounts paid by the Company to the Directors were for services as non-executive Directors.

\* Chairman

\*\* Chairman of the Audit Committee

\*\*\* Mr Birch was appointed to the Board on 3 April 2014

^ Mr Bowles and Mr Craig retired from the Board on 3 April 2014

## **Directors' Report (continued)**

For the year ended 31 December 2015

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### **Directors' authority to buy back shares**

As agreed at the Company AGM on 8 May 2014, and in accordance with the Articles of Association of the Company and the Companies (Guernsey) Law, 2008, as amended (the "Law"), the Company is authorised to make market purchases of up to a maximum of 15 per cent of its existing issued ordinary Share Capital. This authority is renewable annually. At the Annual General Meeting to take place on 5 July 2016 the Company will seek to renew such authority and will seek to renew such authorities at annual general meetings thereafter.

Any buy back of shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board and not at the option of the Shareholders.

Purchases of shares will only be made through the market for cash. The minimum price (exclusive of expenses) which may be paid for the shares is £0.001 per share. The maximum price (exclusive of expenses) payable by the Company for the shares will be no more than 5% above the average of the middle closing market quotations taken from the London Stock Exchange Daily Official List on each of the five business days before the closing purchase is made.

During the year no shares were acquired by the Company under the above authority.

### **Board responsibilities and corporate governance**

The Board of Directors is responsible for the corporate governance of the Company. The Board will ensure that the organisation's operations are conducted reasonably and within the framework of all applicable laws, regulations, rules, guidelines and codes as well as established policies and procedures. The Directors will regularly assess and document whether the Board's approach to corporate governance achieves its objectives and, consequently, whether the Board itself is fulfilling its own responsibilities. The Board will review the effectiveness of its overall approach to governance and make changes where that effectiveness needs to be enhanced.

The Board meets at least four times a year. Between these formal meetings there is regular contact with the Investment Manager and the Secretary. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company and which should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company. The Board is responsible for the appointment and monitoring of all service providers to the Company and at the current time is in the process of a thorough review of all such providers.

As an investment company, most of the Company's day to day responsibilities are delegated to third parties and all of the Directors are non-executive. As a Guernsey incorporated company, the Company is required to comply with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission ("the Code") introduced on 1 January 2012.

The Directors have taken the action that they consider appropriate to ensure that the appropriate level of corporate governance, for an investment company incorporated in Guernsey whose securities are listed on the Channel Islands Securities Exchange, is attained and maintained. The Company does not, nor intends to, adopt the UK Code of Corporate Governance.

For the purposes of assessing compliance with the Code, the Board considers all of the Directors as independent of the Investment Manager.

## Directors' Report (continued)

For the year ended 31 December 2015

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### **Audit Committee: K Foy (Chairman)**

The Audit Committee has been established with written terms of reference and comprises all of the Board members. The Audit Committee members have recent and relevant financial experience. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis.

### **Role of the Audit Committee**

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the effectiveness of the internal control systems and risk management systems on which the Company is reliant;
- to review and monitor the effectiveness of the Company's other third party service providers;
- overseeing the Company's relationship with the external auditor BDO Limited and to review their proposed audit programme of work and their findings;
- approval of the remuneration and terms of engagement of the external auditors;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services; and
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification.

### **Annual Report and Financial Statements**

The Board of Directors is responsible for preparing the Annual Report and Financial Statements. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and any specific areas which require judgement.

### **Investment Policy**

The Company's investment objective is to generate above average returns for Shareholders primarily through the capital appreciation of its investments. The Directors believe that such returns can be obtained by investing in a selective portfolio of securities and other instruments in the precious metals, diamond and uranium sectors.

### **Anti-bribery and corruption**

The Board acknowledges that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Company arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

### **Alternative Investment Fund Managers Directive ("AIFMD")**

CQS (UK) LLP (previously CQS Asset Management Limited) has been authorised by the UK Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD"). The funds managed by the AIFM are now defined as Alternative Investment Funds ("AIFs") and are subject to the relevant articles of the AIFMD.

### **Internal control and financial reporting**

The Board is responsible for establishing and maintaining the Company's system of internal controls. Internal control systems are designed to meet the specific needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss.

## Directors' Report (continued)

For the year ended 31 December 2015

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### Internal control and financial reporting (continued)

The key procedures which have been established to provide effective internal controls include:

- R&H Fund Services (Guernsey) Limited is responsible for the provision of administration and company secretarial duties;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures are designed to complement one another;
- The Board clearly defines the duties and responsibilities of the Company's agents and advisers in the terms of their contracts;
- The Board reviews financial information and compliance reports produced by the Administrator on a regular basis.

The Board and Audit Committee have reviewed the Company's risk management and internal control systems and believe that the controls are satisfactory, given the size and nature of the Company.

### Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company. The Investment Manager considers socially responsible investment and actively engages with investee companies.

### Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

### Shareholders significant interests

The following shareholders had a substantial interest of 5% or more of the Company's issued share capital as at the year end:

	<b>% of issued share capital</b>
Clients of HSBC Global Custody Nominee (UK)	26.10%
Clients of the Bank of New York (Nominees) Limited	10.49%
Clients of Vidacos Nominees Limited	10.39%
Clients of Hargreaves Lansdown (Nominees) Limited	6.25%
Clients of State Street Nominees Limited	5.98%

### Material contracts

The Company's material contracts are with New City Investment Managers, to provide investment management services, R&H Fund Services (Guernsey) Limited, which acts as Administrator for the Company, Credit Suisse Securities (Europe) Limited, which acts as Custodian, INDOS Financial Limited, which acts as Depositary, Capita Registrars (Guernsey) Limited which acted as Registrar for the Company until 30 March 2015 and Computershare Investor Services (Guernsey) Limited, which acts as Registrar for the Company from 1 April 2015.

Details of the fees payable under these contracts are as detailed in note 5 to the Financial Statements.

### Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Financial Statements are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website.

## **Directors' Report (continued)**

For the year ended 31 December 2015

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### **Relations with Shareholders (continued)**

The Notice of the Annual General Meeting included within the Annual Report and Financial Statements is sent out 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders.

The Company Secretary and Investment Manager are available to answer general shareholder queries at any time throughout the year.

### **Disclosure of information to the auditor**

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

The auditor, BDO Limited, has indicated its willingness to continue in office. Accordingly, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 18 April 2016 and signed on behalf of the Board by:

**Robert King**

**Toby Birch**

## Investment Manager's Report

For the year ended 31 December 2015

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Following a promising start to the year, which saw gold prices increase in excess of US\$100/oz to over US\$1,300/oz in January as Switzerland adjusted its exchange rate, prices subsequently fell back to end the year at US\$1,061/oz as markets anticipated cessation of the US programme of Quantitative Easing ("QE") and digested the prospect of regional interest rate rises. Over the year the Company's NAV fell 29.2%, in-line with sterling declines registered by the gold and silver XAU Index and similar to the 28.5% drop in the HUI Index, with the majority of the decline in the second half of the year.

The Swiss Central Bank's move to drop its Euro peg early in the year portended to further global exchange rate adjustments which have been one of the most significant themes influencing the precious metals sector over the period. Competitive currency devaluation has become a key tool adopted by governments to stimulate demand, particularly among export-led economies in Asia, South America and also Europe. The recent relaxation of China's US dollar peg, as policy makers seek to encourage exports and relieve pressure from decelerating internal demand on its manufacturing industry, has been a particular case in point. The disruptive influence of this move and ensuing downdraft on commodity prices, exacerbated by the increase in US interest rates shortly after, fed through to weaken commodity producer currencies and has been a relative boon for miners with assets located in countries such as Canada, Mexico and Australia to which the fund has been predominantly exposed. While the Gold price in US\$ terms fell 10.2%, in Canadian dollar, Mexican Peso and Australian dollar it increased 7%, 5% and 1% respectively, boosting the margins of operators in these countries. In addition to declining energy prices, factors such as wage deflation have also made an important contribution to cost reductions in Australia following weakness in the iron ore sector.

The disjointed currency moves accompanying the Swiss and Chinese peg relaxations each prompted near US\$100/oz price rallies with China importing record amounts of physical gold in the latter months of 2015 as buyers sought to protect their wealth against further potential Yuan devaluation. Indeed the timing and extent of US rate rise expectations have continued to fade as the central banks of export led economies outside the region undermine the effectiveness of this FED policy lever. This may continue to dampen the expected US rate tightening cycle and perpetuate weakening currency trends. China's ambition to benchmark its exchange rate against a wider basket of currencies and de-emphasise the US\$ may add to this effect.

However, we believe a more notable observation has been the recent strength of gold prices since the 25bp increase in US interest rates in mid-December, the first in almost 10 years. In particular we believe its reaction to the FED's introduction of a negative interest rate stress test for its banking sector, announced in February 2016, has highlighted the opportunity cost of holding cash and the threats posed by global over-indebtedness and possible liquidity crises. These considerations remain supportive to wider ownership of the metal. Prompting a substantial increase in safe haven demand from physically backed ETF's, which have added 10Moz to holdings since the start of 2016, has helped drive a price gain of over US\$200/oz from the US\$1,050/oz mid-December low. The price action may prove a decisive psychological turning point. Decisions by Japanese and European central banks to introduce negative real interest rates and sterling's weakness ahead of UK's forthcoming June referendum on European membership have acted as a further reminder of the risk to wealth posed by pernicious currency weakness, injecting further impetus to the price rally. At the time of writing, year-to-date the Fund NAV has risen 70.6% to 15<sup>th</sup> April 2016 versus sterling returns of 78.5% and 78.8% for the XAU and HUI indices and 67.6% and 75.1% for the GDX and GDXJ ETS respectively.

## **Investment Manager's Report (continued)**

For the year ended 31 December 2015

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While retaining a focus towards high quality, low cost assets exposure to some more leveraged operators was increased with Silver Lake and Beadell purchased early in year to limit the differential performance with the above indices. Similarly the Fund increased exposure to low cost developers participating in heavily discounted placements by MAG Silver, Rox Gold and Pretium. The capitulation on commodities around the year end, that also played a part in reinforcing expectations of further currency weakness, have shown some recovery from their excessive declines as illustrated by the rebound in iron ore prices.

In the near-term we believe broader commodity price strength may remove the currency tailwind to some regional producers and for this reason the Fund has latterly substantially reduced exposure to Australian Dollars. Countering this, the Fund has added to its holding in Klondex and acquired Troy Resources whose project operating costs are US\$ denominated. Though maintaining a relatively high bias towards silver, which offers significant operational leverage to a precious metal recovery and also potential improvement in by-product credits following the closure of major zinc mines, the Fund also retains exposure towards precious metal miners which also produce industrial base metals such as nickel and copper, notably via holdings in Independence Group and Norilsk Nickel that should also benefit from the improving economic trends.

**New City Investment Managers**  
(a trading name of CQS (UK) LLP)

# Independent Auditor's Report to the Members of Golden Prospect Precious Metals Limited

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We have audited the financial statements of Golden Prospect Precious Metals Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## Independent Auditor's Report to the Members of Golden Prospect Precious Metals Limited (continued)

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

BDO Limited  
Chartered Accountants  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

Date: .....

# Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	Revenue £	Capital £	2015 Total £	2014 Total £
<b>Income</b>					
Income from investments designated at fair value through profit or loss	7	291,208	-	291,208	156,296
Net capital losses on investments at fair value through profit or loss	7	-	(4,776,892)	(4,776,892)	(3,915,528)
<b>Net investment gains/(losses)</b>		<u>291,208</u>	<u>(4,776,892)</u>	<u>(4,485,684)</u>	<u>(3,759,232)</u>
<b>Expenses</b>					
Investment management fees	5	(193,545)	-	(193,545)	(288,552)
Exchange loss		(65,431)	-	(65,431)	(13,974)
Administration fees	5	(65,000)	-	(65,163)	(60,848)
Directors' fees	5	(48,000)	-	(48,000)	(51,000)
Other expenses		(39,025)	-	(104,456)	(50,197)
Audit fees		(20,000)	-	(20,000)	(21,000)
Registrar's fees		(18,119)	-	(18,119)	(16,020)
Legal and professional fees		(17,905)	-	(17,905)	(9,032)
Depositary fees	5	(16,800)	-	(16,800)	(5,723)
Sponsor fees		(10,452)	-	(10,452)	(18,854)
Custodian fees	5	(9,039)	-	(9,039)	(12,191)
Directors' insurance costs		(5,648)	-	(5,648)	(6,668)
Printing		(3,219)	-	(3,219)	(5,335)
<b>Total operating expenses</b>		<u>(512,183)</u>	<u>-</u>	<u>(512,183)</u>	<u>(559,394)</u>
<b>Operating loss</b>		<b>(220,975)</b>	<b>(4,776,892)</b>	<b>(4,997,867)</b>	<b>(4,318,626)</b>
<b>Finance cost</b>					
Finance income		136	-	136	676
Overdraft interest	8	(49,690)	-	(49,690)	(96,014)
<b>Loss for the year before tax</b>		<b>(270,529)</b>	<b>(4,776,892)</b>	<b>(5,047,421)</b>	<b>(4,413,964)</b>
Withholding tax		(57,650)	-	(57,650)	(24,803)
<b>Loss for the year after tax</b>		<b>(328,179)</b>	<b>(4,776,892)</b>	<b>(5,105,071)</b>	<b>(4,438,767)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the year</b>		<u><b>(£328,179)</b></u>	<u><b>(£4,776,892)</b></u>	<u><b>(£5,105,071)</b></u>	<u><b>(£4,438,767)</b></u>
Basic and diluted loss per Ordinary share (pence)	6			<u><b>(8.96p)</b></u>	<u><b>(7.79p)</b></u>

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

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

The notes on pages 19 to 36 form an integral part of these Financial Statements.

## Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share Capital £	Share Premium £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £	Distributable Reserve £	Total Equity £
<b>Balance as at 1 January 2015</b>		57,002	-	(9,213,510)	(13,734,718)	(3,588,186)	43,995,959	17,516,547
<b>Total comprehensive loss for the year</b>		-	-	(11,188,960)	6,412,068	(328,179)	-	(5,105,071)
<b>Total transactions with owners</b>		-	-	-	-	-	-	-
<b>Balance as at 31 December 2015</b>		<b>£57,002</b>	<b>£-</b>	<b>(£20,402,470)</b>	<b>(£7,322,650)</b>	<b>(£3,916,365)</b>	<b>£43,995,959</b>	<b>£12,411,476</b>
<b>For the year ended 31 December 2014</b>								
<b>Balance as at 1 January 2014</b>		57,002	-	(5,973,732)	(13,058,968)	(3,064,947)	43,995,829	21,955,184
<b>Total comprehensive loss for the year</b>		-	-	(3,239,778)	(675,750)	(523,239)	-	(4,438,767)
<b>Transactions with owners</b>		-	-	-	-	-	-	-
Issue of Ordinary Shares	11	-	130	-	-	-	-	130
Transfer to Distributable Reserve		-	(130)	-	-	-	130	-
<b>Total transactions with owners</b>		-	-	-	-	-	130	130
<b>Balance as at 31 December 2014</b>		<b>£57,002</b>	<b>£-</b>	<b>(£9,213,510)</b>	<b>(£13,734,718)</b>	<b>(£3,588,186)</b>	<b>£43,995,959</b>	<b>£17,516,547</b>

The notes on pages 19 to 36 form an integral part of these Financial Statements

# Statement of Financial Position

As at 31 December 2015

		2015	2014
	Notes	£	£
<b>Current Assets</b>			
Investments at fair value through profit or loss	7	13,449,764	19,761,708
Cash and cash equivalents	8	29,902	1,295
Receivables	9	29,750	23,724
<b>Total Assets</b>		<u>13,509,416</u>	<u>19,786,727</u>
<b>Current Liabilities</b>			
Payables and accruals	10	(83,125)	(65,553)
Bank overdraft	8	(1,014,815)	(2,204,627)
<b>Total Liabilities</b>		<u>(1,097,940)</u>	<u>(2,270,180)</u>
<b>Net Assets</b>		<u><b>£12,411,476</b></u>	<u><b>£17,516,547</b></u>
<b>Equity</b>			
Share capital	11	57,002	57,002
Revenue reserve	12	(3,916,365)	(3,588,186)
Distributable reserve	12	43,995,959	43,995,959
Capital reserves	12	(27,725,120)	(22,948,228)
<b>Total Equity</b>		<u><b>£12,411,476</b></u>	<u><b>£17,516,547</b></u>
<b>Number of Ordinary Shares in issue</b>	11	<u><b>57,002,026</b></u>	<u><b>57,002,026</b></u>
<b>Net Asset Value per Ordinary Share (pence)</b>	17	<u><b>21.77p</b></u>	<u><b>30.73p</b></u>

The Financial Statements on pages 15 to 36 were approved by the Board of Directors and authorised for issue and signed on 18 April 2016 on its behalf by:

**Robert King**

**Toby Birch**

The notes on pages 19 to 36 form an integral part of these Financial Statements.

## Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Loss for the year		(5,105,071)	(4,438,767)
Adjustment for:			
Capital loss on investments at fair value through profit or loss		<u>4,776,892</u>	<u>3,915,528</u>
Operating cash flows before movements in working capital		(328,179)	(523,239)
Increase in receivables		(6,026)	(10,086)
Increase/(decrease) in payables and accruals		17,572	(9,206)
Purchase of investments		(10,965,186)	(12,798,780)
Proceeds from sale of investments		<u>12,500,238</u>	<u>12,945,911</u>
<b>Net cash generated from/(used in) operating activities</b>		<b><u>1,218,419</u></b>	<b><u>(395,400)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Shares	11	<u>-</u>	<u>130</u>
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>130</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,218,419</b>	<b>(395,270)</b>
Net cash and cash equivalents at beginning of year		<u>(2,203,332)</u>	<u>(1,808,062)</u>
<b>Cash and cash equivalents at year end</b>	8	<b><u>(£984,913)</u></b>	<b><u>(£2,203,332)</u></b>
<b>Supplementary cash flow information</b>			
Net cash generated from/(used in) operating activities include:		£	£
Interest received on cash balances		136	676
Interest paid on cash balances		(49,690)	(96,014)
Income received from investments		<u>285,134</u>	<u>167,723</u>

The notes on pages 19 to 36 form an integral part of these Financial Statements.

# Notes to the Financial Statements

For the year ended 31 December 2015

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## 1. COMPANY INFORMATION

Golden Prospect Precious Metals Limited (the "Company") was incorporated in Guernsey on 16 October 2006 as an authorised closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. The Company's registered office is shown on page 39.

The Company's Ordinary Shares are traded on London Stock Exchange SETS QX with code GPM.

The Company's Ordinary Shares were admitted to the Official List of the Channel Islands Stock Exchange ("CISX") on 24 June 2008. On 20 December 2013 the Royal Court of Guernsey approved the scheme of arrangement ("the scheme") between The Channel Islands Stock Exchange, LBG ("CISX"), The Channel Islands Securities Exchange Limited ("CISEL") and The Channel Islands Securities Exchange Authority Limited ("CISEAL"). In accordance with the scheme, the business of CISX has been acquired by CISEAL. All securities that were listed on the Official List of CISX were transferred in accordance with Listing Rule 2.6A of the CISX Listing Rules and are now listed on the Official List of CISEAL.

The Company's investment objective is to generate above average returns for Shareholders primarily through the capital appreciation of its investments. The Directors believe that such returns can be obtained by investing in a selective portfolio of securities and other instruments in the precious metals, diamond and uranium sectors.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's Financial Statements:

### **Basis of preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union which comprise standards and interpretations as issued and approved by the International Accounting Standards Board ("IASB"), and International Financial Reporting Standard Interpretations ("IFRIC's") that remain in effect, and to the extent that they have been adopted by the European Union, and reflect the following policies, which have been adopted and applied consistently.

Items included in the Company's Financial Statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The currency in which the Company's shares are denominated, and in which its operating expenses are incurred, is Sterling. The Company's investments are denominated in many different currencies. Accordingly, the Directors regard Sterling as the functional currency. The Company has also adopted Sterling as its presentational currency.

The Financial Statements have been prepared on a historical cost basis except for the measurement of certain financial assets at fair value through profit or loss.

### **Accounting judgements and estimates**

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Accounting judgements and estimates (continued)

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

The most significant accounting judgements made by management are deemed to be the fair value estimation of non-listed investments described below.

#### Adoption of new and revised standards

The accounting policies adopted in the year are consistent with those of the previous financial period, no new IFRS standards, amendments or interpretations have been adopted since 1 January 2015.

#### Standards and interpretations in issue and not yet effective

At the date of authorisation of these Financial Statements, the following standards and interpretations, which will become relevant to the Company but have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9, "Financial Instruments – Classification and Measurement" (effective 1 January 2018\*, as set by the IASB).
- IFRS 7, Financial Instruments Disclosures – Amendments regarding initial application of IFRS 9\* - effective for when IFRS 9 is applied.
- IFRS 15, Revenue from contracts with customers – effective for periods commencing on or after 1 January 2018\*.

\*still to be endorsed by the EU.

These standards and interpretations will be adopted by the Company when they become effective. The Directors anticipate that, with the exception of IFRS 9, the adoption of these standards and interpretations in future periods will not have a material impact on the Financial Statements of the Company.

The Directors are considering, but have not yet concluded, on what the impact of IFRS 9 will be on the Company's Statement of Financial Position but do not anticipate adopting the standard until the year ending December 2018.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial assets**

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Company became party to the contractual requirements of the financial assets. The Company has not classified any of its financial assets as Held to Maturity or as Available for Sale. The Company's financial assets fall within the loans and receivables and financial assets at fair value through profit or loss categories.

#### **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise of other receivables and cash balances and overdrafts held with financial institutions. These are subsequently measured at amortised cost using the effective interest rate method, less provisions for impairment. The effect of discounting is immaterial.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank overdrafts and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

#### **Financial assets at fair value**

##### *Classification*

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

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

##### *Recognition*

Purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment.

##### *Derecognition of financial assets*

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial assets at fair value (continued)*

##### *Measurement*

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

##### *Fair value estimation*

The fair value of financial assets traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for the financial assets held by the Company is the bid price at the close of the respective market at the Statement of Financial Position date. Debt securities are carried at fair value using discounted cash flow techniques/models. Warrants are carried at fair value using standard Black Scholes valuation models. Further details are disclosed in note 7.

##### *Fair value measurement hierarchy*

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

For financial instruments that are recognised at fair value on a recurring basis, the Board determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **Financial liabilities**

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

##### *Financial liabilities measured at amortised cost*

These include payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Bank borrowings are initially recognised at fair value net of attributable transactions costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

##### *Derecognition of financial liabilities*

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Interest income and expense**

Interest income and interest expense are recognised within the Statement of Comprehensive Income using the effective interest rate method.

#### **Income**

All other income is accounted for on an accrual basis and is recognised in the Statement of Comprehensive Income.

#### **Expenses**

Expenses are accounted for on an accrual basis and are recognised in the Statement of Comprehensive Income.

#### **Capital reserves**

Gains and losses recorded on the realisation of investments are accounted for in the Realised Capital Reserve. Unrealised gains and losses recorded on the revaluation of investments held at the year end and unrealised exchange differences on investments are accounted for in the Unrealised Capital Reserve.

#### **Revenue reserves**

All income and expenses are accounted for in the Revenue Reserve.

#### **Translation of foreign currency**

Transactions in currencies other than the functional currency are recorded using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and those from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

#### **Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Company is organised into one main operating segment, which invests in precious metals securities which are principally listed on the stock exchanges of London, Toronto and Sydney. All of the Company's activities are interrelated, and each activity is based upon analysis of the Company as one segment.

On a day to day basis investment decisions have been delegated to the Investment Manager, New City Investment Managers.

The Company does not hold any non-current assets which require disclosure under IFRS 8. The Company also does not have any external customers and therefore the disclosure of customers geographically required under IFRS 8 is not applicable. However, for additional information, the fair value of each geographical base and the respective percentages of the total value of the Company can be found in the Portfolio Statement beginning on page 37.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 3. TAXATION

The Company has been granted exemption from Guernsey taxation and has paid an annual exemption fee for the year of £1,200 (2014: £600).

### 4. DISTRIBUTION TO SHAREHOLDERS

The Directors do not expect income (net of expenses) to be significant and do not currently expect to declare any cash dividends. In the event that net income is significant, the Directors may consider the distribution of net income in the form of cash dividends. To the extent that any cash dividends are paid, they will be paid in accordance with any applicable laws and the regulations of the CISEAL.

### 5. RELATED PARTY TRANSACTIONS AND OTHER SIGNIFICANT AGREEMENTS

#### **Related party transactions**

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

#### ***Directors' Fees***

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities. All Directors are entitled to remuneration for their services of £12,000 per annum (2014: £12,000). During the year Directors' fees of £48,000 were charged to the Company (2014: £51,000) and £12,000 was payable at the year end (2014: £12,000). All Directors are non-executive.

#### ***Investment Manager***

The Investment Manager, New City Investment Managers (a trading name of CQS (UK) LLP, previously CQS Asset Management Limited) is entitled to an annual management fee, payable monthly in arrears, of 1.25% of the Company's Net Asset Value.

The Investment manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. During the year investment management fees of £193,545 were charged to the Company (2014: £288,552) and £13,068 was payable at the year end (2014: £18,816).

The Investment Manager is also entitled to receive an annual performance fee equal to 20% of the increase in the Company's Net Asset Value on the last Trading Day of each calendar period, above an annual hurdle for growth of 8% and subject to a high water mark. During the year no performance fees had accrued to the Investment Manager (2014: £nil).

#### **Other significant agreements**

##### ***Administrator***

Legis Fund Services Limited ("Old Administrator") was the Company's Administrator until 30 November 2014. In consideration for the services provided by the Old Administrator under the Administration and Secretarial Agreement, the Old Administrator was entitled to receive from the Company an annual fee of £55,000 per annum payable monthly in arrears. An exit fee of £5,000 was paid to the Old Administrator. During the year no administration fees were charged to the Company (2014: £55,327) and no fees were payable at the year end (2014: £nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 5. RELATED PARTY TRANSACTIONS AND OTHER SIGNIFICANT AGREEMENTS (continued)

#### Other significant agreements (continued)

##### *Administrator (continued)*

R&H Fund Services (Guernsey) Limited ("the Administrator") was appointed as the Company's administrator on 1 December 2014. In consideration for the services provided by the Administrator under the Administration Agreement, the Administrator is entitled to receive from the Company an annual fee of £65,000 per annum payable quarterly in arrears. During the year administration fees of £65,000 were charged to the Company (2014: £5,521) and £32,767 was payable at the year end (2014: £5,521). From 1 December 2014, the Company moved from a monthly NAV to a daily NAV.

##### *Custodian Fees*

The Company's Custodian is Credit Suisse Securities (Europe) Limited. Custodian fees are charged monthly at 5 basis points based on the Company's assets under management. During the year custodian fees of £9,039 were charged to the Company (2014: £12,191) and £nil was payable at the year end (2014: £1,427).

##### *Depositary Fees*

Legis Depositary Services Limited ("Old Depositary") was appointed as the Company's depositary on 22 July 2014 and resigned on 30 November 2014. In consideration for the services provided by the Old Depositary under the Depositary Services Agreement, the Old Depositary was entitled to receive from the Company an ad valorem fee of 2 basis points of the Company's Net Asset Value up to £175 million; 1.5 b.p. up to £350 million and 1.0 b.p. thereafter, subject to a minimum fee of £1,000 per month. During the year no depositary fees were charged to the Company (2014: £4,296) and no fees were payable at the year end (2014: £nil).

INDOS Financial Limited ("the Depositary") was appointed as the Company's depositary on 1 December 2014. In consideration for the services provided by the Depositary under the Depositary Agreement, the Depositary is entitled to receive from the Company an annual fee of 0.25% of the Company's Net Asset Value up to £150 million; 0.015% up to £300 million; 0.0125% up to £450 million and 0.015% thereafter, subject to a minimum fee of £1,400 per month. During the year depositary fees of £16,800 were charged to the Company (2014: £1,427) and £1,427 was payable at the year end (2014: £nil).

### 6. BASIC AND DILUTED LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share is calculated by dividing the comprehensive loss for the year of £5,105,071 (2014: £4,438,767) by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of Ordinary Shares for the period is 57,002,026 (2014: 57,001,926). The Company's Subscription Shares lapsed on 28 November 2014; therefore there are no dilutive instruments in issue.

### 7. INVESTMENTS AT FAIR VALUE

Details of the significant accounting policies and methods adopted by the Company, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in note 2.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 7. INVESTMENTS AT FAIR VALUE (continued)

The following table analyses the fair value of the Company's financial assets and liabilities by category as defined in IFRS 13.

	Fair Value Level 1 £	Fair Value Level 2 £	Fair Value Level 3 £	Fair Value Total £
Opening fair value at 1 January 2015	19,339,123	422,585	-	19,761,708
Purchases	10,965,186	-	-	10,965,186
Sales	(12,500,238)	-	-	(12,500,238)
Transfers	(494,000)	-	494,000	-
Gain/(loss)				
- realised	(11,188,960)	-	-	(11,188,960)
- unrealised	6,828,457	77,611	(494,000)	6,412,068
Closing fair value at 31 December 2015	<u>12,949,568</u>	<u>500,196</u>	<u>-</u>	<u>13,449,764</u>
Split by:				
Listed equities	12,949,568	-	-	12,949,568
Bonds	-	500,196	-	500,196
Warrants	-	-	-	-
	<u>12,949,568</u>	<u>500,196</u>	<u>-</u>	<u>13,449,764</u>

During the year there was a transfer of fair value measurements between Level 1 and Level 3. This was due to Lachlan Star being placed into administration on 13 February 2015. There are two investments held at Level 3 with £nil value.

Please refer to pages 37 and 38 for an analysis of financial assets at fair value through profit or loss which are disclosed above.

	Fair Value Level 1 £	Fair Value Level 2 £	Fair Value Level 3 £	Fair Value Total £
Opening fair value at 1 January 2014	23,341,036	483,331	-	23,824,367
Purchases	12,527,243	271,537	-	12,798,780
Sales	(12,945,911)	-	-	(12,945,911)
Gain/(loss)				
- realised	(3,239,778)	-	-	(3,239,778)
- unrealised	(343,467)	(332,283)	-	(675,750)
Closing fair value at 31 December 2014	<u>19,339,123</u>	<u>422,585</u>	<u>-</u>	<u>19,761,708</u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 7. INVESTMENTS AT FAIR VALUE (continued)

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
	£	£	£	£
Split by:				
Listed equities	19,339,123	-	-	19,339,123
Bonds	-	420,774	-	420,774
Warrants	-	1,811	-	1,811
	<u>19,339,123</u>	<u>422,585</u>	<u>-</u>	<u>19,761,708</u>

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

	2015	2014
	£	£
Realised loss on financial assets		
designated as at fair value through profit or loss	(11,188,960)	(3,239,778)
Net unrealised gain/(loss) on financial assets		
designated as at fair value through profit or loss	<u>6,412,068</u>	<u>(675,750)</u>
<b>Net capital losses on financial assets</b>	<b>(£4,776,892)</b>	<b>(£3,915,528)</b>
Dividend income and interest on bonds	<u>291,208</u>	<u>156,296</u>
<b>Total net losses on financial assets</b>	<b><u>(£4,485,684)</u></b>	<b><u>(£3,759,232)</u></b>

Valuation techniques used in the determination of fair values, including the key inputs used, are as follows:

Item	Fair value hierarchy level	Valuation techniques
Financial assets at fair value through profit or loss – Listed equity securities	Level 1	Fair value is the quoted bid price
Financial assets at fair value through profit or loss – Debt securities	Level 2	The fair value of Debt Securities is calculated as the present value of the estimated future cash flows based on observable gold price, time value and discount rates.
Financial assets at fair value through profit or loss – Warrants	Level 2	The fair value of Warrants has been calculated using the underlying listed prices, expiry dates and observable future volatility.

### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2015	2014
	£	£
Cash at bank	29,902	1,295
Bank overdraft	<u>(1,014,815)</u>	<u>(2,204,627)</u>
	<u>(£984,913)</u>	<u>(£2,203,332)</u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 8. CASH AND CASH EQUIVALENTS (continued)

Credit Suisse Securities (Europe) Limited ("CSSEL") may determine from time to time the overdraft limit it will provide to the Company and may provide reasonable notice in writing of such an amount.

Overdraft interest is calculated on a daily basis using the one month Libor rate plus 175 basis points and is charged to the Company on a monthly basis. In order to satisfy CSSEL of liquidity, a margin requirement is calculated to establish a net equity and cash position that must be maintained as collateral. If the Company falls into deficit then more funds are called. If the margin calls are not met then CSSEL can call in all outstanding funds. At no point during the year did the Company fall into deficit and at the year end the Company held an excess over the margin requirement of £6,700,299 (2014: £7,980,852).

The overdraft interest during the year of £49,690 (2014: £96,014) represents the only gain or loss on financial liabilities measured at amortised cost.

In addition to the above there is a provision for an event of default where the NAV changes from the previous highest NAV of the previous calendar year by more than 50%, 40% for the previous 3 months and 20% for the previous month. These are monitored on a monthly basis and the Directors confirm there were no breaches in the year.

### 9. RECEIVABLES

	2015	2014
	£	£
Dividend income receivable	15,668	-
Bond interest receivable	9,030	9,595
General expenses prepaid	5,050	13,984
Bank interest receivable	2	145
	<u>£29,750</u>	<u>£23,724</u>

The Directors consider that the carrying amount of receivables approximates their fair value due to their short term nature.

### 10. PAYABLES AND ACCRUALS

	2015	2014
	£	£
Investment management fee payable (note 5)	13,068	18,816
Audit fee	20,000	19,000
Directors' fees payable (note 5)	12,000	12,000
Administration fee payable (note 5)	32,767	5,521
Sundry debtor	1,491	4,606
Bank overdraft interest	2,372	4,183
Custodian fee payable (note 5)	-	1,427
Depositary fee payable (note 5)	1,427	-
	<u>£83,125</u>	<u>£65,553</u>

The Directors consider that the carrying amount of payables and accruals approximates their fair value due to their short term nature.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 11. SHARE CAPITAL

#### Authorised Share Capital as at 31 December 2015 and 31 December 2014

	<b>No. of shares</b>	<b>£</b>
Ordinary Shares of £0.001 par value	<u>200,000,000</u>	<u>£200,000</u>

During the previous year Shareholders elected to exercise 100 Subscription Shares. The Subscription Shares expired on 28 November 2014 and were delisted on 8 December 2014.

	<b>No. of Shares</b>		<b>Share Capital</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
			<b>£</b>	<b>£</b>
<b>Issued and Fully Paid Share Capital</b>				
<b>Equity Shares</b>				
<b>Ordinary Shares of £0.001 each at inception</b>				
As at 1 January	57,002,026	57,001,926	57,002	57,002
Issued during the year	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
As at 31 December	<u>57,002,026</u>	<u>57,002,026</u>	<u>57,002</u>	<u>57,002</u>

	<b>No. of Shares</b>		<b>Share Capital</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
			<b>£</b>	<b>£</b>
<b>Subscription Shares of no par value each</b>				
As at 1 January	-	28,498,048	-	-
Exercised during the year	-	(100)	-	-
Cancellation of Subscription Shares	<u>-</u>	<u>(28,497,948)</u>	<u>-</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Ordinary Shareholders are entitled to one vote for each Ordinary Share held and are entitled to receive any distributions declared by the Company. On a winding-up, the Ordinary Shareholders shall be entitled, pro rata to their holdings, to all the assets of the Company available for distribution to Shareholders.

### 12. RESERVES

#### Distributable Reserve

The Distributable Reserve can be used for all purposes permitted under Guernsey Company law, including the buy-back of shares and payment of dividends.

#### Capital Reserve

The Capital Reserve contains realised gains and losses on the disposal of investments, and unrealised increases and decreases in the fair value of the Company's investment portfolio, together with any expenses allocated to capital.

#### Revenue Reserve

Any surplus/(deficit) arising from total comprehensive income is taken to this reserve, which may be utilised for the buy-back of shares and payments of dividends.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 13. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk and price risk). The Company's risk management policies, approved by the Board of Directors, seek to minimise the potential adverse effects of these risks on the Company's financial performance.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

As at the date of the Statement of Financial Position, financial assets exposed to credit risk comprise debt securities as disclosed in note 7 as well as bank balances and receivables. It is the opinion of the Board of Directors that the carrying amount of these financial assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

As at 31 December 2015 there was no financial assets which were past due or impaired (31 December 2014: none). Gran Columbia Gold Corporation defaulted on its interest payments in December 2014 and January 2015. The interest amounted to £9,594 which has been written off as the Directors are of the opinion that the interest will not be received.

The Board of Directors is satisfied that the Company's transactions are concluded with a suitably approved counterparty with an appropriate credit quality, CSSEL currently has a Standard and Poor's credit rating of A-1/A. The Investment Manager carefully selects debt securities with counterparties displaying the necessary experience and financial stability. The Company's exposures to these counterparties, and their credit rating or financial results, are monitored by management. The following table illustrates the credit concentration by category:

	2015	2014
	£	£
Debt securities	500,196	420,774
Cash and cash equivalents:		
Credit Suisse Securities (Europe) Limited	29,902	1,295
Receivables	24,700	9,740
Total assets at credit risk	<u>£554,798</u>	<u>£431,809</u>

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

Whilst most of the Company's financial assets are listed securities which are considered readily realisable as they are listed on major recognised stock exchanges, some of the financial assets held by the Company may not be listed on recognised stock exchanges and so will not be readily realisable and their marketability may be restricted. The Company might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so. The fair value of these financial assets as at 31 December 2015 amounts to £500,196 (2014: £422,585).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

The following table details the Company's liquidity analysis for its financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial liabilities that settle on a net basis and the undiscounted gross cash flows on those financial liabilities that require gross settlement.

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	2015 Total £
<b>Gross settled:</b>					
Bank overdraft	-	1,014,815	-	-	1,014,815
Bank overdraft interest	2,372	-	-	-	2,372
Investment management fee payable	13,068	-	-	-	13,068
Administration fee payable	32,767	-	-	-	32,767
Directors' fees payable	12,000	-	-	-	12,000
Audit fee	-	-	20,000	-	20,000
Depositary fee payable	1,427	-	-	-	1,427
Sundry creditor	1,491	-	-	-	1,491
	£63,125	£1,014,815	£20,000	£-	£1,097,940

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	2014 Total £
<b>Gross settled:</b>					
Bank overdraft	-	2,204,627	-	-	2,204,627
Bank overdraft interest	4,183	-	-	-	4,183
Investment management fee payable	18,816	-	-	-	18,816
Administration fee payable	5,521	-	-	-	5,521
Directors' fees payable	12,000	-	-	-	12,000
Audit fee	-	-	19,000	-	19,000
Custodian fee payable	1,427	-	-	-	1,427
Sundry creditor	4,606	-	-	-	4,606
	£46,553	£2,204,627	£19,000	£-	£2,270,180

CSSEL as Custodian has a fixed charge on all the Company's cash held by Credit Suisse, and all its assets, in return for services provided including execution of transactions, custody of investments and cash and financing. As per note 8 CSSEL also calculates a margin requirement to establish a net cash and equity position that must be maintained as collateral. As at the period end the Company had a significant excess over this margin requirement. Should there be a deficit at any point CSSEL is entitled to call in all outstanding funds.

The Investment Manager manages liquidity and margin on a daily basis. The Company's overall exposure to liquidity risk is monitored by the Board of Directors on a quarterly basis.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Market Risk

The Company's activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates.

#### Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will adversely fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Company is exposed to market price risk arising from its financial assets designated as at fair value through profit or loss. The performance of these financial assets will be affected by the performance of the investee companies. The exploration, development and production of metal and mineral deposits involve significant uncertainties and the investee companies will be subject to all the hazards and risks normally encountered in such activities. Many of these are difficult to predict and are outside the control of the investee companies. They include, amongst others, issues relating to the environment, the climate, the geographical environment, local and international regulatory requirements, licensing terms, planning permission, unexpected geological formations, rock falls, flooding, pollution, legal liabilities, the availability and reliability of plant and equipment, the scaling-up of operations, the reliance on key individuals, local finance and tax regimes, foreign currency repatriation, capital and budget constraints, contractors and suppliers, local employment regulations and practices, employment unions and the availability of suitable labour. In addition, there is often no guarantee that the estimates of quantities and grades of metals and minerals disclosed by investee companies will be available for extraction.

The Company's financial assets are exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the Company's investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers set out in the Placing and Offer for Subscription document mitigates the risk of excessive exposure to any particular type of security or issuer. However, with respect to the investment strategy utilised by the Company there is always some, and occasionally some significant, degree of market risk.

#### Price sensitivity

The value of the Company's financial assets had a sensitivity of £4,034,929 (2014: £3,952,342) to a 30% (2014: 20%) increase or decrease in the market prices with other variables being held constant as at 31 December 2015. A 30% change is the sensitivity rate currently used when reporting price risk internally to key management personnel.

A change in the XAU index has a correlation to the movement in Gold equity prices. A correlation cannot be reliably measured so no sensitivity is prepared.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is directly exposed to interest rate risk as it holds cash and cash equivalents which are invested at short term rates and debt securities which receive interest at a fixed rate and on the bank overdraft.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Interest rate risk (continued)

The Investment Manager manages the Company's exposure to interest rate risk on a daily basis in accordance with the Company's investment objectives and policies. The Company's overall exposure to interest rate risk is monitored on a quarterly basis by the Board of Directors.

Returns from debt securities are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequently, if such a debt security is held until its redemption date, the total return achieved is unaltered from its purchase date. However over its life the market price at any given time will depend on the market environment at that time.

Therefore, a debt security sold before its redemption date is likely to have a different price from its purchase level and a profit or loss may be incurred. Interest rate risk on fixed interest debt securities is considered to be part of market price risk as disclosed above.

The following table analyses the Company's interest rate risk exposure. The Company's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates. There are no assets or liabilities maturing within four to twelve months of the period end.

As at 31 December 2015	0-3 Months £	1-5 Years £	Total £
<b>Variable rate assets</b>			
Cash and cash equivalents	29,902	-	29,902
<b>Fixed rate assets</b>			
Debt securities	-	500,196	500,196
<b>Total interest bearing assets</b>	<u>29,902</u>	<u>500,196</u>	<u>530,098</u>
<b>Variable rate liabilities</b>			
Bank overdraft	<u>(1,014,815)</u>	<u>-</u>	<u>(1,014,815)</u>
<b>Total interest bearing liabilities</b>	<u>(1,014,815)</u>	<u>-</u>	<u>(1,014,815)</u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Interest rate risk (continued)

As at 31 December 2014	0-3 Months £	1-5 Years £	Total £
<b>Variable rate assets</b>			
Cash and cash equivalents	1,295	-	1,295
<b>Fixed rate assets</b>			
Debt securities	-	420,774	420,774
<b>Total interest bearing assets</b>	<u>1,295</u>	<u>420,774</u>	<u>422,069</u>
<b>Variable rate liabilities</b>			
Bank overdraft	<u>(2,204,627)</u>	<u>-</u>	<u>(2,204,627)</u>
<b>Total interest bearing liabilities</b>	<u>(2,204,627)</u>	<u>-</u>	<u>(2,204,627)</u>

All other assets and liabilities of the Company are non-interest bearing.

#### Interest rate sensitivity

The sensitivity analysis has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the date of the Statement of Financial Position and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 25 basis points higher or lower and all other variables had been held constant, the Company's net assets attributable to holders of Ordinary Shares at the year end would have been £5,635 (2014: £10,534) lower or higher due to the change in the interest payable on the bank overdraft and the interest receivable on cash and cash equivalents.

#### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The presentation currency of the Company is Sterling. The majority of the Company's financial assets are currently denominated in various currencies other than Sterling and the Company may hold other financial instruments, the price of which may be determined with reference to currencies other than Sterling.

To the extent that these financial instruments are unhedged, or are not adequately hedged, the value of the Company's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be affected unfavourably by fluctuations in currency rates and exchange control regulations. The Investment Manager has the power to manage exposure to currency movements by using hedging instruments.

There were no hedging instruments held at the year end or used in the year (2014: None).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Currency risk (continued)

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the date of the Statement of Financial Position were as follows:

	2015		2014	
	Assets £	Liabilities £	Assets £	Liabilities £
Australian Dollar (AUD)	3,494,810	(859,344)	3,300,346	-
Canadian Dollar (CAD)	7,624,129	(143,420)	11,751,360	(652)
United States Dollar (USD)	1,144,274	-	1,144,274	-
Swiss Franc (CHF)	194	-	185	-
	<u>12,263,407</u>	<u>(1,002,764)</u>	<u>17,645,405</u>	<u>(652)</u>

#### Foreign currency sensitivity

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

The following table details the Company's sensitivity to a 10% (2014: 10%) increase or decrease in Sterling against the relevant foreign currencies. A 10% change is the sensitivity rate currently used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and financial liabilities and adjusts their translation at the year end for a 10% change in the foreign currency rates. A positive number indicates an increase in net assets attributable to holders of Ordinary Shares where Sterling weakens against the relevant currency and a negative number indicates a decrease in net assets where Sterling strengthens against the relevant currency.

	AUD £	CAD £	USD £
<b>31 December 2015</b>			
Change in net assets in response to a 10% change in foreign currency rates	<u>292,830</u> <u>(239,588)</u>	<u>831,190</u> <u>(680,064)</u>	<u>127,142</u> <u>(104,025)</u>
<b>31 December 2014</b>			
Change in net assets in response to a 10% change in foreign currency rates	<u>366,705</u> <u>(300,031)</u>	<u>1,305,634</u> <u>(1,068,246)</u>	<u>288,168</u> <u>(235,774)</u>

#### Capital management

The primary objective of the Company's capital management is to ensure that it maintains shareholder value and that it is able to continue as a going concern. The Company manages its capital structure and, where necessary, makes adjustments to it in light of changes in economic conditions. The Company's overall strategy remains unchanged from the prior year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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### 13. FINANCIAL RISK MANAGEMENT (continued)

#### Capital management (continued)

The capital structure of the Company consists of net debt, as disclosed in note 8 and equity as per note 11.

The Company is not exposed to any externally imposed capital requirements.

The Company expects to meet its other obligations for operating cash flows at the Statement of Financial Position date. The Company expects to maintain current debt to equity security ratio of 30%.

### 14. CONTINGENT LIABILITIES

There were no contingent liabilities at the Statement of Financial Position date.

### 15. EVENTS AFTER THE FINANCIAL REPORTING DATE

The Company entered into an agreement with Cantor Fitzgerald to be the Company's sole financial advisor from 12 January 2016. Under the agreement Cantor Fitzgerald will be entitled to an annual fee of £17,000.

There were no other significant events after the financial reporting date.

### 16. CONTROLLING PARTY

The issued Ordinary Shares of the Company are owned by numerous parties and therefore, in the opinion of the Directors, there is no immediate or ultimate controlling party of the Company.

### 17. NAV RECONCILIATION

	2015	2014
	£	£
Net Asset Value per financial statements	£12,411,476	£17,516,547
Number of shares in issue at the year end	57,002,026	57,002,026
NAV per Ordinary Share	21.77p	30.73p
Issued NAV per Ordinary Share	21.55p	31.04p

The difference in NAV per Ordinary Share relates to the pricing of the Portfolio which is valued at mid price for valuation purposes and bid price for accounting purposes under IFRS. Furthermore after a review of information available after the year end the Directors agreed to increase the valuation of Gran Columbia Bond with an uplift of £227,672.

## Unaudited Portfolio Statement

As at 31 December 2015

Description	Holding	Fair Value £	% of Total Net Assets
<b><u>Equities</u></b>			
<b>Australia</b>			
Ausgold	3,375,000	53,424	0.43
Evolution Mining	800,000	548,094	4.42
Independence Group	630,000	791,571	6.38
Lachlan Star	600,000	-	0.00
Northern Star Resources	187,000	257,159	2.07
Regis Resources	1,034,870	1,187,652	9.57
Saracen Mineral Holdings	2,195,000	656,909	5.29
		<u>3,494,809</u>	<u>28.16</u>
<b>Canada</b>			
Asanko Gold	415,857	407,921	3.29
Atico Mining	350,000	45,490	0.37
Newcastle Gold	2,006,750	285,426	2.30
First Majestic Silver	228,140	500,162	4.03
Fortuna Silver Mines	450,249	682,359	5.50
Guyana Goldfields	273,300	412,850	3.33
Kennady Diamonds	207,881	282,421	2.28
Klondex Mines	700,000	971,598	7.83
Mandalay Resources	2,003,300	628,822	5.07
Mountain Province	311,930	601,245	4.84
Pilot Gold	275,000	41,137	0.33
Revelo Resources	610,350	16,464	0.13
Roxgold	400,000	135,367	1.09
Rubicon Minerals	288,190	16,962	0.14
Silver Wheaton	106,917	901,415	7.26
Tahoe Resources	148,700	872,986	7.03
Teranga Gold	1,000,000	237,872	1.92
		<u>7,040,497</u>	<u>56.74</u>
<b>Russia</b>			
PJSC MMC Norilsk Nickel	55,000	468,395	3.77
		<u>468,395</u>	<u>3.77</u>

## Unaudited Portfolio Statement (continued)

As at 31 December 2015

Description	Holding	Fair Value £	% of Total Net Assets
<b><u>Equities - continued</u></b>			
<b>United Kingdom</b>			
Aureus Mining	991,240	54,518	0.44
Condor Gold	574,362	120,616	0.97
DB Physical Rhodium	7,904	322,350	2.60
Fresnillo	150,860	1,065,826	8.59
Sovereign Bauxite of Guinea	100,000	-	0.00
		<u>1,563,310</u>	<u>12.60</u>
<b>United States</b>			
Continental Gold Ltd	500,000	382,557	3.08
		<u>382,557</u>	<u>3.08</u>
<b>Total Equities</b>		<u>12,949,568</u>	<u>104.35</u>
<b><u>Warrants</u></b>			
Condor Gold 10/09/2018	277,777	-	0.00
Gran Colombia Gold	7,500	-	0.00
<b>Total Warrants</b>		<u>-</u>	<u>0.00</u>
<b><u>Bonds</u></b>			
<b>Canada</b>			
Gran Colombia Gold Corp 10% 31 Oct 2017	750,000	304,013	2.45
Maya Gold & Silver Conv Debt 8% 28/03/2017	500,000	196,183	1.58
<b>Total Bonds</b>		<u>500,196</u>	<u>4.03</u>
<b>Total investments</b>		13,449,764	108.38
Other current assets less payables and accruals		(23,473)	(0.20)
Bank overdraft		(1,014,815)	(8.18)
<b>Total Net Assets</b>		<u><u>12,411,476</u></u>	<u><u>100.00</u></u>

## Management and Administration

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### Directors

Malcolm Burne  
Toby Birch  
Kaare Foy  
Robert King

Details available at – [www.ncim.co.uk](http://www.ncim.co.uk)

### Secretary and Administrator

R&H Fund Services (Guernsey) Limited  
Suite B, Trafalgar Court  
3rd Floor, West Wing  
St Peter Port  
Guernsey  
GY1 2JA

### Financial Adviser and Broker to the Company to 11 January 2016

Nplus 1 Singer Limited  
One Bartholomew Lane  
London  
EC2N 2AX

### Investment Manager

CQS Cayman Limited Partnership  
P.O. Box 242  
45 Market Street  
Gardenia  
Camana Bay  
Grand Cayman KY1-1104  
Cayman Islands

Note: the Company has appointed CQS as its investment manager. However, CQS has, with the agreement of the Board, delegated that function to NCIM.

### Independent Auditor to the Company

BDO Limited  
P.O. Box 180  
Rue du Pré  
St Peter Port  
Guernsey  
GY1 3LL

### Depositary

INDOS Financial Limited  
25 North Row  
London  
W1K 6DJ

### Registered office

Suite B, Trafalgar Court  
3rd Floor, West Wing  
St Peter Port  
Guernsey  
GY1 2JA

### Principal Bankers and Custodian

Credit Suisse Securities (Europe) Limited  
One Cabot Square  
London  
E14 4QJ

### Financial Adviser and Broker to the Company from 12 January 2016

Cantor Fitzgerald Europe L.P.  
One Churchill Place  
Canary Wharf  
London  
EH14 5RD

New City Investment Managers  
(a trading name of CQS (UK) LLP, previously CQS  
Asset Management Limited)  
5th Floor  
33 Chester Street  
London  
SW1X 7BL

### CISEAL Sponsor

Ogier Corporate Finance Limited  
44 Esplanade  
St Helier  
Jersey  
JE4 9WG

## Management and Administration (continued)

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### Advocates to the Company as to Guernsey Law

Babbé  
18-20 Smith Street  
St Peter Port  
Guernsey  
GY1 4BL

### Solicitors to the Company as to English Law

Lawrence Graham LLP  
4 More London Riverside  
London  
SE1 2AU

### Registrar and CREST Agent to 30 March 2015

Capita Registrars (Guernsey) Limited  
Mon Crevett House  
Bulwer Avenue  
St Sampson  
Guernsey  
GY2 4LH

### Registrar and CREST Agent from 31 March 2015

Computershare Investor Services (Guernsey) Limited  
c/o Queensway House  
Hilgrove Street  
St Helier  
Jersey JE1 1ES

### Market Makers

Nplus 1 Singer Limited  
One Bartholomew Lane  
London EC2N 2AX

KBC Peel Hunt  
111 Old Broad Street  
London EC2N 1PH

Winterflood Securities  
25 Dowgate Hill  
London EC4R 2GA

Cantor Fitzgerald Europe  
17 Crosswall  
London EC3N 2LB

# Golden Prospect Precious Metals Limited

Registered Office Address: Suite B, Trafalgar Court, 3rd Floor, West Wing, St. Peter Port, Guernsey, GY1 2JA  
Registration Number: 45676

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of Golden Prospect Precious Metals Limited (the “**Company**”) will be held at Suite B, Trafalgar Court, 3rd Floor, West Wing, St. Peter Port, Guernsey on 5 July 2016 at 11:00 BST to transact the business set out in the Resolutions below.

### ORDINARY RESOLUTIONS

1. To receive the Company’s Annual Report and Audited Financial Statements for the year ended 31 December 2015.
2. To re-appoint BDO Limited as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors of the Company to determine the remuneration of the auditor.
4. To re-elect Mr Malcolm Burne as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.
5. To re-elect Mr Kaare Foy as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.
6. To re-elect Mr Robert King as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.
7. To re-elect Mr Toby Birch as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.

### SPECIAL BUSINESS

8. To authorise the Company, in accordance with Article 4.8 of the Articles of Association of the Company and The Companies (Guernsey) Law, 2008, as amended (the “**Law**”), to make market purchases of its own ordinary shares of £0.001 each (“**Ordinary Shares**”), such authorisation conditional upon the Ordinary Shares of the Company continuing to be admitted to listing on the Official List of the Channel Islands Securities Exchange Authority Limited (“**CISEAL**”) and, with the exception of a tender offer or partial offer being made to all holders of Ordinary Shares on the same terms:-
  - 8.1 the maximum number of Ordinary Shares hereby authorised to be purchased shall be up to 15% of the Company’s existing issued ordinary share capital;
  - 8.2 the minimum price (exclusive of expenses) which may be paid for the Ordinary Shares to be £0.001 per Ordinary Share;
  - 8.3 the maximum price (exclusive of expenses) payable by the Company for the Ordinary Shares to be 5% above the average of the closing middle market quotations (as derived from Bloomberg) of an Ordinary Share for the five (5) consecutive dealing days preceding the date on which the purchase is made;

## **Golden Prospect Precious Metals Limited**

**Registered Office Address: Suite B, Trafalgar Court, 3rd Floor, West Wing, St. Peter Port, Guernsey, GY1 2JA**  
**Registration Number: 45676**

- 8.4 the authority (unless previously renewed or revoked) will expire at the end of the annual general meeting of the Company to be held in 2017 or, if earlier, the date being fifteen months from the date of this resolution;
- 8.5 the Company may make a contract to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed or wholly or partly executed after the expiry of such authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract; and
- 8.6 the purchase price for any Ordinary Shares may be paid by the Company out of distributable profits or out of capital and share premium or otherwise to the fullest extent permitted by The Companies (Financial Assistance for Acquisition of Own Shares) Ordinance, 1998.

By order of the Board

**R&H Fund Services (Guernsey) Limited**

Suite B

Trafalgar Court

3rd Floor

West Wing

St Peter Port

Guernsey

GY1 2 JA

18 April 2016

## Golden Prospect Precious Metals Limited

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Registration Number: 45676

### NOTES

1. Members entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company. A form of proxy accompanies this notice. Completion and return of the form of proxy will not preclude members from attending or voting at the Meeting, if they so wish. The fact that members may have completed forms of proxy will not prevent them from attending and voting at the Meeting in person should they afterwards decide to do so.
2. To be valid, the form of proxy, together with the power of attorney or the authority, if any, under which it is executed (or a notarially, certified copy of such power of attorney) must be deposited with Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES not less than 48 hours before the time for holding the Meeting or adjourned Meeting or the taking of a poll at which the person named in the instrument proposes to vote.
3. A member must first have his or her name entered on the register of members not later than 17:00 BST on 1 July 2016. If the Meeting is adjourned, members entered on the register not later than 48 hours before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any holders to attend and vote at the Meeting.
4. If you do not intend to attend the Meeting please complete and return the form of proxy as soon as possible.

# Golden Prospect Precious Metals Limited

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## FORM OF PROXY

**For use at the Annual General Meeting of Golden Prospect Precious Metals Limited (the "Company") to be held on 5 July 2016 at 11:00 BST**

I/We (block capitals please) \_\_\_\_\_

of (address) \_\_\_\_\_

\_\_\_\_\_ being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 1)

As my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Suite B, Trafalgar Street, 3rd Floor, West Wing, St Peter Port, Guernsey on 5 July 2016 at 11:00 BST and any adjournment thereof.

Please indicate with an "X" in the spaces provided how you wish your votes to be cast on the resolutions specified.

### ORDINARY RESOLUTIONS

	For	Against	Abstain
1. To receive the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2015.			
2. To re-appoint BDO Limited as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.			
3. To authorise the Directors of the Company to determine the remuneration of the auditor.			
4. To re-elect Mr Malcolm Burne as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.			
5. To re-elect Mr Kaare Foy a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.			
6. To re-elect Mr Robert King as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.			
7. To re-elect Mr Toby Birch as a Director of the Company who retires by rotation in accordance with Article 18.3 of the Articles of Association of the Company.			

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### SPECIAL BUSINESS

	For	Against	Abstain
<p><b>8.</b> To authorise the Company, in accordance with Article 4.8 of the Articles of Association of the Company and The Companies (Guernsey) Law, 2008, as amended (the "<b>Law</b>"), to make market purchases of its own ordinary shares of £0.001 each ("<b>Ordinary Shares</b>"), such authorisation conditional upon the Ordinary Shares of the Company continuing to be admitted to listing on the Official List of the Channel Islands Securities Exchange Authority Limited ("<b>CISEAL</b>") and, with the exception of a tender offer or partial offer being made to all holders of Ordinary Shares on the same terms:-</p> <p>8.1 the maximum number of Ordinary Shares hereby authorised to be purchased shall be up to 15% of the Company's existing issued ordinary share capital;</p> <p>8.2 the minimum price (exclusive of expenses) which may be paid for the Ordinary Shares to be £0.001 per Ordinary Share;</p> <p>8.3 the maximum price (exclusive of expenses) payable by the Company for the Ordinary Shares to be 5% above the average of the closing middle market quotations (as derived from Bloomberg) of an Ordinary Share for the five (5) consecutive dealing days preceding the date on which the purchase is made;</p> <p>8.4 the authority (unless previously renewed or revoked) will expire at the end of the annual general meeting of the Company to be held in 2017 or, if earlier, the date being fifteen months from the date of passing of this resolution;</p> <p>8.5 the Company may make a contract to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed or wholly or partly executed after the expiry of such authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract; and</p> <p>8.6 the purchase price for any Ordinary Shares may be paid by the Company out of distributable profits or out of capital and share premium or otherwise to the fullest extent permitted by The Companies (Financial Assistance for Acquisition of Own Shares) Ordinance, 1998.</p>			

Subject to any voting instructions so given, the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.

Signature \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

## Golden Prospect Precious Metals Limited

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### PROXY NOTES

1. If you so desire you may delete the words "Chairman of the meeting" and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. Joint holders are not permitted to vote independently of each other and must vote as one.
4. To appoint more than one proxy to vote in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).

Please also indicate if the appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned together in the same envelope. Appointing a proxy shall not preclude a member from attending and voting in person at the meeting.

5. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
6. To be valid, this form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES not less than 48 hours before the time for holding the meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote.
7. No member shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls due from him have been paid.