

Golden Prospect Precious Metals Limited

Interim Report and Financial Statements

for the period ended 30 June 2019

Contents	Page
Chairman's Statement	2
Board Members	3
Investment Manager's Report	4
Financial Statements	
Unaudited Interim Statement of Comprehensive Income	7
Unaudited Interim Statement of Changes in Equity	8
Unaudited Interim Statement of Financial Position	9
Unaudited Interim Statement of Cash Flows	10
Notes to the Unaudited Interim Financial Statements	11
Portfolio Statement	29
Management and Administration	32

Chairman's Statement

For the period ended 30 June 2019

There is so much informed punditry circulating about why gold and silver prices are currently outperforming other asset classes and why in particular Central Banks, wealth managers and family offices are buying record amounts of bullion, that the ordinary investor can be overlooked. Yet despite all the optimism from the plethora of precious metal newsletter writers and other financial commentators, the simple actions of the man in the street can often be the best indicator of all.

As an example I visited an upmarket gold dealer recently to add to my holdings in the physical and had to wait in a queue for quite a while despite the fact that I know the manager well having bought there before. Normally there would be two or three in the reception area but there were many more than usual on that day. I then took the Britannia coins I had purchased along to my bank where there are safe deposit boxes only to be faced with a longish delay there as well. The administrator said that so many more clients were visiting to make deposits in their boxes and I guessed right when I suggested it was portable physical gold they were storing away.

I went away satisfied that at last we really were in a genuine bull market for precious metals. Clearly real fear is taking hold and the smart money is returning to the oldest and safest haven of all. By way of additional evidence, the gold price has now assaulted fresh all-time highs in 70 countries/currencies and net Central Bank buying has also reached record all-time highs!

Usually when I write these statements I try to profile what's going on in the world that influences gold. But it is plainly obvious to most that all is far from well around the globe and the combination of all the various problems are coming together in a perfect storm.

Geopolitical challenges seem greater than they have been in decades both in terms of ever spiralling debt, faltering economies, negative interest rates and shaky stock and bond markets, trade wars, Brexit, de-dollarisation and recessionary fears and of course the disturbing and growing conflicts almost everywhere. I don't propose to try and explain them all yet again and on this occasion will refer you to the managers' report herein which gives excellent coverage on both the salient macro and micro factors currently at play in the exciting space in which we operate.

I am sure all shareholders would join me in congratulating our investment managers on positioning the fund in stocks that received the best response from the current upturn in both Silver and Gold prices. The substantial increase in the fund's net asset value has had a substantial impact on our share price narrowing the discount in the process and increasing liquidity.

The net asset value increased by 31.8 per cent during the six months under review and the ordinary share price increased by 43.7% over the same period. The discount at which the shares trade narrowed from 28.6% to 22.1%. Judging by the increased online commentary a greater number of investors are beginning to notice the fund and recognising its unique attractions as a suitable quoted vehicle for buying into the sector which the Directors believe should reduce the discount level.

I would hope to report continued progress in our next statement to shareholders.

Malcolm Burne
Chairman

Board Members

For the period ended 30 June 2019

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.

Robert King, is a non-executive director of a number of open and closed ended investment funds and companies including Chenavari Capital Solutions Limited, Tufton Oceanic Assets Limited and Weiss Korea Opportunities Fund Ltd. 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 an investment manager and non-executive director of South River (Guernsey) Limited which is owned by a Chinese conglomerate. Prior to founding Guernsey Gold (which merged with Bullionrock in 2014) he was the senior investment manager at the local branch of Bank Julius Baer. He then worked for Blackfish Capital Holdings, the private investment arm of a single family office where he was lead manager of the Blackfish Capital Exodus Fund, trading in precious metals and commodities. He was also a director of the Blackfish-Investec Resources Special Situations Fund, investing in mining companies. Toby is a Chartered Wealth Manager and Fellow of the Chartered Institute for Securities and Investments. He is a regular speaker on the conference circuit covering financial megatrends, precious metals and monetary reform. He holds the HSK2 level proficiency test in Mandarin.

Graeme Ross, was educated at Perth Academy and Dundee College of Technology in Scotland and qualified as a Chartered Accountant with Arthur Young McClelland-Moores in 1984. He then moved to Jersey in the Channel Islands and spent two years with KPMG on financial services audits before joining the embryonic fund administration arm of Rawlinson & Hunter, Jersey in 1986. He was admitted to the Partnership of Rawlinson & Hunter, Jersey in 1995 and was the Managing Director of the fund administration division from then until his retirement at the end of 2016. Graeme has significant experience of the management, administration and oversight of all types of collective investment vehicles and has served as a Director on open ended, closed ended and limited partnership vehicles investing in a wide variety of asset classes and sectors including many listed funds. Graeme is a resident of Jersey. Graeme was appointed to the Board on 17 April 2018 as both a Director and Chairman of the Audit Committee.

Investment Manager's Report

For the period ended 30 June 2019

The Fund NAV has rebounded strongly during 2019. After a slow start gold rallied towards the end of the interim period. The chief driver of this performance has been investor risk aversion. China's retaliation to Trump plans, announced in August, to increase tariffs on a further US\$300bn of Chinese imports set the tone for investors' flight to safety. The protracted US-led trade war has helped lift the gold price nearly 10% during the first half with the Fund NAV increasing 43% over the same six-month timeframe.

The trade related deterioration in global growth expectations has remained the dominant influence on sector sentiment since then. As a result the gold price has continued to rise and at the time of writing it has moved above US\$1,500/oz, up over 17% year-to-date. Against this backdrop, Fund returns exceed 80% for the year, despite some retracement from August highs. This compares with year-to-date sterling returns of approximately 33% for both the Philadelphia Gold & Silver Index and Gold Bugs Index and 27% for the Van Eck Vectors Junior Gold Miners ETF. The strong performance of the portfolio's smaller-midcap stocks has been especially pleasing when set against larger producers, held by other indices, whose performance has been limited by already stretched valuations.

Protracted trade war is feeding negative yields

The FED's expected 25bp rate reduction at the start of August occurred along side data indicating the deceleration in global growth may have started to impact US employment markets, raising the probability of further FED loosening despite the central bank's attempt to dress the cut as a "one and done" move. The FED decision to end quantitative tightening (the process by which it sells bonds previously purchased during the financial crisis) in August, a month early than previously guided, also highlighted the potential to restart QE.

Latterly the anticipated cut by the ECB was duly delivered in September, taking regional bank deposit rates further into negative yielding territory at -0.5%. In addition, the outgoing ECB President, Mario Draghi, also warned that more rate adjustments and expansion of the reinstated €20bn per month package of quantitative easing, to recommence in November, could be required to stave off regional recession. Without the assistance of Trump's post-election "America First" stimulus, economies outside the US have borne the brunt of decelerating economic growth. Rate cuts by central banks, such as New Zealand and India, as they fret over downside risks to economic growth have benefitted gold and it therefore comes as no surprise to us that the gold price is now at or near all-time highs in over 70 other currencies as investors seek safety.

For now China's apparent intransigence to reaching a trade deal with the US, as they maximise their leverage against Trump's 2020 re-election campaign, will only increase pressure for further synchronised central bank easing. From an historically low, post GFC starting point looser central bank monetary policy is now feeding a pervasive shift to negative real yields globally. This has significantly reduced the opportunity cost of holding gold, which pays no interest but at least doesn't penalise ownership, and has reinvigorated its appeal to investors and central banks.

Strong physical demand led by central bank

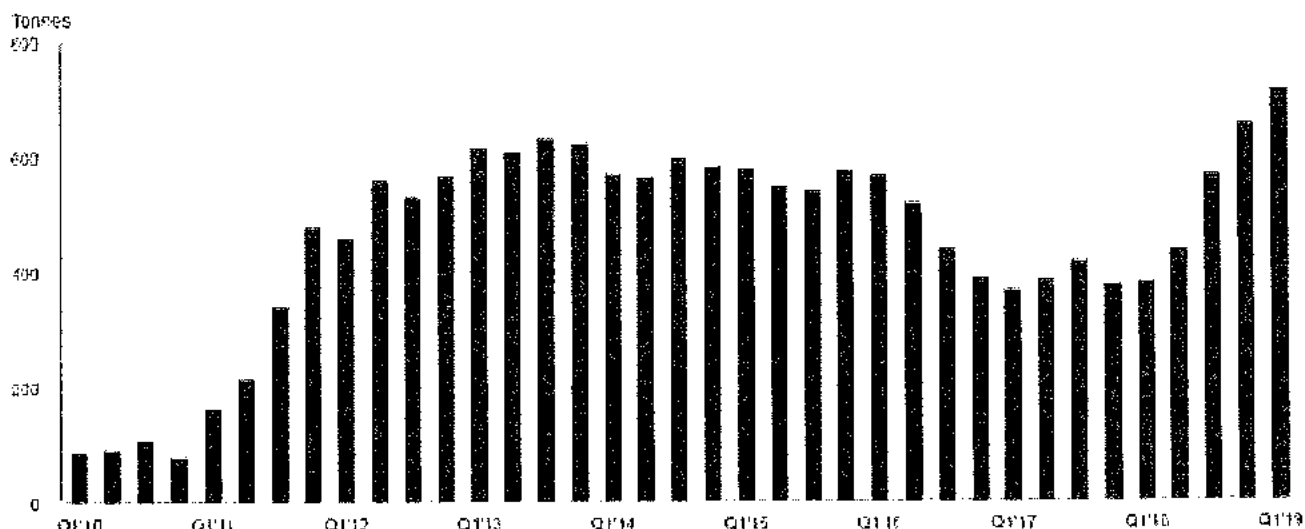
As reported by the World Gold Council, central banks are becoming more active in diversifying US dollar holdings both in quantity and breadth, with Poland, Hungary and Ecuador recently joining larger consistent purchases being made by Russia, Turkey, India, Kazakhstan and the PBOC. Latest data from the WGC showed net central bank buying exceeded 145 tonnes (~47Moz) in Q1, up 68% year-on-year, reaching a record high on a rolling four-quarter basis. As highlighted by the WGC, "the combination of trade tensions, sluggish growth and low/negative interest rates which spurred central bank purchases to a 50-year high in 2018, remain relevant".

Investment Manager's Report

For the period ended 30 June 2019

Central banks buying: rolling four-quarter total reaches new high

Download



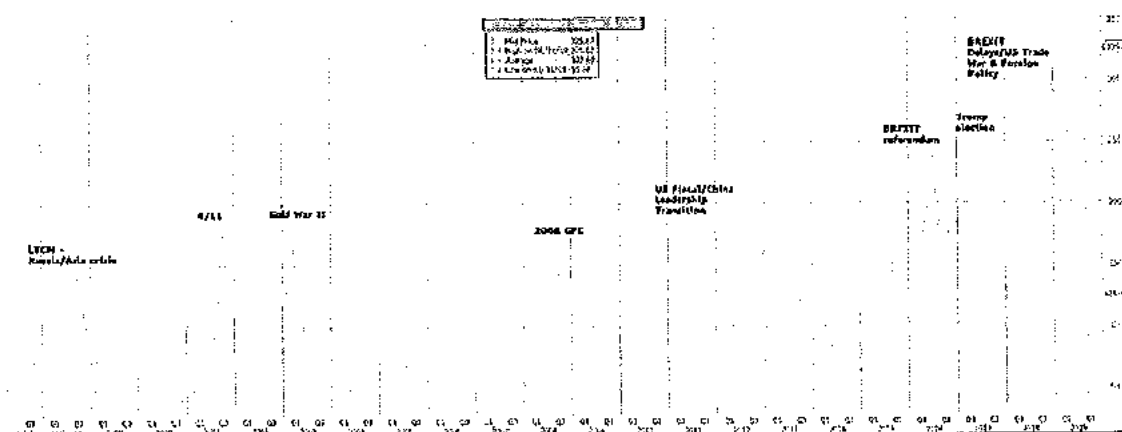
Sources: Metals Focus, Refinitiv GFMS, World Gold Council, OIS, James

As further illustration, holdings by physically backed ETFs, which at the time of writing are ~82Moz, are approaching all-time highs of 2012.

Uncertainty abounds

Other political flash points have also hardened investor risk aversion, notably recent Middle East unrest. The chart below of Global Policy Uncertainty, a useful proxy with which to visualise broader geopolitical risks, is tellingly at an all-time high and above levels seen during the Gulf War, 911 terrorist attack and Global Financial Crisis. The measure is also above the levels registered immediately after Brexit and the election of President Trump with the effects of a brusque negotiating stance with the EU adopted Boris Johnson following his appointment as UK PM and implementation of confrontational Trump policies taking hold. Reflecting this heightened uncertainty and near-term recessionary fears, governments and central banks have initiated further stimulus measures and a synchronised cycle of central bank loosening is currently underway. This has all helped demand for gold which, unlike the increasingly political dollar, has seen increased global appeal.

Global Policy Uncertainty Highest on Record



Source: Baker, Bloom & Davies – Global Economic Policy Uncertainty Index with Current Price GDP Weights

Investment Manager's Report

For the period ended 30 June 2019

Some cautionary portfolio adjustments undertaken

While we believe precious metals, and particularly the undervalued equities within the Fund, continue to offer one of the best ways for investors to insure against heightened global risks and ongoing currency weakness, we are nevertheless mindful of the extent to which broader market fears have swung in gold's favour. As illustration, we note the copper/gold price ratio has now fallen close to extreme levels previously seen during the Global Financial Crisis and the deflationary spiral experienced into early 2016. In similar fashion, gains by other safe haven assets such as US Treasuries and Japanese Yen have shown significant (over 5 standard deviations) relative moves and with this in mind the Fund has latterly reigned in gearing to more modest levels. We are also conscious of the potential for some temporary drag from slowing seasonal jewellery demand as buyers adjust to the higher price environment.

The strong performance of the portfolio's smaller-midcap stocks over the year has been especially pleasing when set against larger producers, whose premium valuations have limited performance. We believe there is still significant potential for the portfolio to re-rate. However, as precautionary risk management, the Fund has reduced individual stock concentration since end-June, following some strong performances. As example, the Fund latterly reduced its position in Silver Lake as the benefits of improved project diversity and equity liquidity, following its merger with Doray, were substantially realised. We believe other Fund investments such as West African Resources, which we view as undervalued in its own right, offer incremental potential to re-rate via M&A. The holding in Americas Silver was also reduced following a small equity funding, for redevelopment of its recently acquired Pershing Gold assets and in which the Fund participated, that drove strong share price performance. A proportion of the proceeds from these equity sales has been re-invested in lagging equities, such as Fortuna Silver and the recent TSX-listing by gold producer Calibre Mining which acquired non-core assets spun out of B2Gold at a valuation agreed upon when the gold price was US\$1,350/oz.

We continue to believe silver offers a leveraged investment opportunity having reached an extreme relative price ratio to gold. Of note though expectations of soft industrial demand have held back silver prices, whose 13% year-to-date rise has lagged that of gold we remain optimistic on the outlook for the metal, which currently represents around 26% of net assets, particularly relative to gold which is currently 84x the silver price.

New City Investment Managers

22 October 2019

Unaudited Statement of Comprehensive Income

For the period ended 30 June 2019

	Notes	Revenue £	Capital £	Period to June 2019 Total £	Period to June 2018 Total £
Income					
Income from investments held at fair value through profit or loss		9,255	-	9,255	3,242
Net capital gains/(losses) on investments held at fair value through profit or loss	7	-	4,717,368	4,717,368	(781,756)
Net gains on foreign exchange		-	-	-	61,729
Net Income		9,255	4,717,368	4,726,623	(716,785)
Expenses					
Investment management fee	5	(99,788)	-	(99,788)	(132,623)
Exchange loss		(10,787)	-	(10,787)	-
Administration fee	5	(33,567)	-	(33,567)	(32,776)
Custodian fee	5	(3,851)	-	(3,851)	(5,032)
Directors' fees	5	(32,000)	-	(32,000)	(32,088)
Audit fee		(11,405)	-	(11,405)	(13,000)
Directors' insurance costs		(1,910)	-	(1,910)	(2,172)
Registrar's fee	5	(8,865)	-	(8,865)	(10,383)
Stock exchange fee		(14,581)	-	(14,581)	(3,085)
Legal and professional fees		(13,930)	-	(13,930)	752
Financial advisers fee	5	(14,717)	-	(14,717)	(8,750)
Depository fee	5	(8,400)	-	(8,400)	(8,423)
Other expenses		(1,384)	-	(1,384)	(2,986)
Total operating expenses		(255,185)	-	(255,185)	(250,566)
Net gain/(loss) on ordinary activities before finance costs and taxation		(245,930)	4,717,368	4,471,438	(967,351)
Finance cost					
Finance income		13,161	-	13,161	11,947
Overdraft interest	8	(25,291)	-	(25,291)	(57,026)
Net gain/(loss) on ordinary activities before taxation		(258,060)	4,717,368	4,459,308	(1,012,430)
Taxation		(1,111)	-	(1,111)	(973)
Total comprehensive gain/(loss) for the period		(259,171)	4,717,368	4,458,197	(1,013,403)
Basic and diluted earnings per Ordinary share (pence)	6			7.82	(1.78)

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The supplementary revenue and capital columns are both prepared for information purposes only. No operations were acquired or disposed of during the year. All income is attributable to the equity holders of the Company.

All the items in the above statement derive from continuing operations.
The notes on pages 11 to 28 form part of these Unaudited Financial Statements.

Unaudited Statement of Changes in Equity

For the period ended 30 June 2019

	Share Capital £	Revenue Reserve £	Distributable Reserve £	Realised Capital Reserve £	Unrealised Capital Reserve £	Total Equity £
Balance as at 1 January 2019	57,014	(5,744,249)	43,907,914	(15,114,884)	(9,089,671)	14,016,124
Total comprehensive gain/(loss) for the period	-	(259,171)	-	307,608	4,409,760	4,458,197
Transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2019	57,014	(6,003,420)	43,907,914	(14,807,276)	(4,679,911)	18,474,321
For the period to 30 June 2018						
Balance as at 1 January 2018	57,002	(5,281,888)	43,995,959	(14,556,837)	(1,710,573)	22,503,663
Total comprehensive loss for the period	-	(231,647)	-	(431,473)	(350,283)	(1,013,403)
Transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2018	57,002	(5,513,535)	43,995,959	(14,988,310)	(2,060,856)	21,490,260

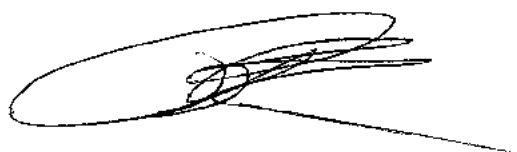
The notes on pages 11 to 28 form an integral part of these Unaudited Financial Statements

Unaudited Statement of Financial Position

As at 30 June 2019

	Notes	(Unaudited) 30 June 2019 £	(Audited) 31 December 2018 £
Non-current Assets			
Investments at fair value through profit or loss	7	19,829,024	15,590,778
Current Assets			
Cash and cash equivalents	8	377,194	4,970,431
Other receivables	9	3,011	61
Total Assets		20,209,229	20,561,270
Current Liabilities			
Other payables and accruals	10	(384,647)	(87,133)
Bank overdraft	8	(1,350,261)	(6,458,013)
Total Liabilities		(1,734,908)	(6,545,146)
Net Assets		18,474,321	14,016,124
Equity			
Share Capital	11	57,014	57,014
Revenue reserve	12	(6,003,420)	(5,744,249)
Distributable reserve	12	43,907,914	43,907,914
Realised capital reserve	12	(14,807,276)	(15,114,884)
Unrealised capital reserve	12	(4,679,911)	(9,089,671)
Total Equity		18,474,321	14,016,124
Number of Ordinary Shares in Issue	11	57,014,331	57,014,331
Net Asset Value per Ordinary Share (pence)	16	32.40	24.58

The Financial Statements on pages 7 to 28 were approved by the Board of Directors and authorised for issue and signed on 22 October 2019 on its behalf by:



Rob King



Toby Birch

The notes on pages 11 to 28 form part of these Unaudited Financial Statements.

Unaudited Interim Statement of Cash Flows

For the period ended 30 June 2019

	Notes	Period to 30 June 2019 £	Period to 30 June 2018 £
Cash flows from operating activities			
Net gains/(losses) on ordinary activities for the period		4,458,197	(1,013,403)
Adjustment for:			
Net capital (gains)/loss on investments held at fair value through profit or loss		(4,717,368)	781,756
Operating cash flows before movement in working capital		<u>(259,171)</u>	<u>(231,647)</u>
(Increase)/decrease in receivables		(2,950)	1,266
Increase/(decrease) in payables and accruals		297,514	(126,853)
Purchase of investments	7	(1,570,437)	(1,931,994)
Proceeds from sale of investments	7	<u>2,049,559</u>	<u>4,007,737</u>
Net cash inflow from operating activities		<u>514,515</u>	<u>1,718,509</u>
Increase in cash and cash equivalents		514,515	1,718,509
Cash and cash equivalents at beginning of period	8	<u>(1,487,582)</u>	<u>(3,621,409)</u>
Cash and cash equivalents at period end	8	<u>(973,067)</u>	<u>(1,902,900)</u>
Cash & cash equivalents at the end of the period:			
Cash and cash equivalents		377,194	3,980,663
Bank overdraft		<u>(1,350,261)</u>	<u>(5,883,563)</u>
		<u>(973,067)</u>	<u>(1,902,900)</u>
Supplementary cash flow information			
Net cash (used in)/generated from operating activities include:		£	£
Interest received on cash balances		13,161	11,947
Interest paid on cash balances		(37,708)	(50,530)
Income received from investments		<u>9,255</u>	<u>3,242</u>

The notes on pages 11 to 28 form part of these Unaudited Financial Statements.

Notes to the Unaudited Financial Statements

For the period ended 30 June 2019

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 33.

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 which subsequently transferred to The Channel Islands Securities Exchange Limited on 24 June 2008. The Channel Islands Securities Exchange rebranded to The International Securities Exchange ('TISE') on 6 March 2017.

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 Interim 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 IFRS Interpretations Committee ('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 Interim 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 Interim 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.

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.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting judgements and estimates (continued)

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

The valuation techniques used by the Company include inputs that are not based on the observable market data to estimate the fair value of its unlisted investments. Significant judgement has been applied by the Directors when valuing these investments.

The Directors believe that the applied valuation techniques and assumptions used are appropriate in determining the fair value of unlisted investments. Further details are provided in note 7.

Adoption of new and revised standards

The accounting policies adopted in the period are consistent with those of the previous financial period save for the adoption of IFRS 16 and Annual Improvement Cycles 2015-2017 (effective 1 January 2019). These had no significant impact on the Company's Interim Financial Statements.

Standards and interpretations in issue and not yet effective

At the date of authorisation of these Financial Statements no updates to standards and interpretations have become relevant to the Company.

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

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Directors have considered the impact of IFRS 9. It includes revised guidance on the classification and measurement of financial instruments based on the Company's business model. All of the existing investments were already fair valued, using either listed prices or Black Scholes models, in accordance with IAS 39 and the Company does not issue any debt. On this basis there was no impact on the carrying values of such financial assets in the financial statements with the adoption of IFRS 9. Under IAS 39 receivables, trades and cash and cash equivalents were classified as loans and receivables, these items under IFRS 9 are classified as financial assets measured at amortised cost.

Financial instruments

Financial assets and financial liabilities are recognised in the Interim 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 Interim Statement of Financial Position and Interim 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 Unaudited Financial Statements (continued)

For the period ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Company's financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value or through profit or loss; and
- those to be measured subsequently at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flow. At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at amortised cost

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 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 current accounts, 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 Interim Statement of Cash Flows.

Financial assets at fair value

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss. 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 financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the financial asset.

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value (continued)

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. Warrants are carried at fair value using standard Black Scholes valuation models. Further details are disclosed in note 7. Unlisted investments are carried at such fair value as the Directors consider appropriate given the performance of each investee company and after considering the financial position of the entity, latest news and developments.

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 as a whole. Financial assets and financial liabilities are classified in their entirety into one of the three

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 Interim Statement of Comprehensive Income.

Interest income and expense

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Income

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

Expenses

Expenses are accounted for on an accrual basis and are recognised in the Interim Statement of Comprehensive Income. Expenses in relation to share issues are treated as a component of equity within the Distributable Reserve.

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 29.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

3. TAXATION

The Company has been granted exemption from Guernsey taxation and has paid an annual exemption fee for the year of £1,200 (2018: £1,200). It should be noted, however, that interest and dividend income accruing from the Company's investments may be subject to irrecoverable withholding tax in the country of origin.

The Company has suffered irrecoverable withholding tax in the year under review of £1,111 (30 June 2018: £973)

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 TISE.

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' Interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 June 2019, and as at the date of signing these Financial Statements:

	Ordinary Shares period ended 30 June 2019	Subscription Shares period ended 30 June 2019	Ordinary Shares year ended 31 December 2018	Subscription Shares year ended 31 December 2018
Director				
M Burne	537,500	268,750	537,500	268,750
R King	20,000	10,000	20,000	10,000
T Birch	50,000	25,000	50,000	25,000
G Ross	-	-	-	-

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 £16,000 per annum. During the period Directors' fees of £32,000 were charged to the Company (2018: £32,088) and £nil was payable at the period end (31 December 2018: £nil). All Directors are non-executive.

Investment Manager

The Investment Manager, New City Investment Managers (a trading name of CQS (UK) LLP), 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 period investment management fees of £99,788 were charged to the Company (2018: £132,623) and £19,171 was payable at the period end (31 December 2018: £29,327).

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

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

The Investment Manager has also received \$2,903 (2018: \$7,275) in relation to the reimbursement of third party research fees incurred on behalf of the Company in this financial accounting period.

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 period no performance fees had accrued to the Investment Manager (2018: £nil). The management fee has previously been charged at a rate of 1.25% per annum, paid monthly in arrears, on all the Company's Net Asset Value.

With effect from 1 July 2019 the management fee will be charged at a rate of 1.25% per annum, paid monthly in arrears on the first £20 million of the Company's Net Asset Value and thereafter at a rate of 1.00% per annum paid monthly in arrears on Net Assets above that.

The Company also advises that the Performance Fee entitlement contained with the previous investment advisory agreement has been removed at no cost to shareholders.

Other significant agreements

Administrator

The Company's Administrator is Maitland Administration (Guernsey) Limited. 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 period administration fees of £33,567 were charged to the Company (2018: £32,776) and £16,206 was payable at the period end (31 December 2018: £16,250).

Custodian

The Company's Custodian is Credit Suisse AG Dublin Branch. Custodian fees are charged monthly at 5 basis points based on the Company's assets under management. During the period custodian fees of £3,851 were charged to the Company (2018: £5,032) and £688 was payable at the period end (31 December 2018: £866).

Depositary

The Company's Depositary is INDOS Financial Limited. 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 period depositary fees of £8,400 were charged to the Company (2018: £8,423) and £1,400 was payable at the period end (31 December 2018: £1,400).

Financial Adviser and Corporate Broker

As at 8 February 2019 the Company appointed finCapp Ltd as Financial Advisor and Corporate Broker ('Financial Adviser') Under this agreement, the Financial Adviser is entitled to receive from the Company an annual fee of £20,000 per annum payable quarterly in advance. Prior to this date, the Company used Cantor Fitzgerald. Under this agreement, the Financial Adviser was entitled to receive from the Company an annual fee of £17,500 per annum payable quarterly in advance. During the period total advisory fees of £14,717 (2018: £8,750) were charged to the Company and £1,479 was prepaid at the period end (31 December 2018: £nil).

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

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

Registrar

The Company's Registrar is Computershare Investor Services (Guernsey) Limited. In consideration for the services provided by the Registrar under the Registrars Agreement, the Registrar is entitled to receive from the Company an annual fee of £8,100 per annum payable monthly in arrears as well as all reasonable out-of-pocket expenses. During the period registrar fees of £8,865 were charged to the Company (2018: £10,383) and £857 was payable at period end (31 December 2018: £849).

6. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic earnings per Ordinary Share is calculated by dividing the comprehensive income for the period of £4,458,197 (2018: loss £1,013,403) by the weighted average number of Ordinary Shares outstanding during the period. The weighted average number of Ordinary Shares for the period is 57,014,331 (2018: 57,002,026). The 28,488,690 Subscription Shares are non-dilutive as at 30 June 2019 as the average share price for the period was below the exercise price.

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. 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 2019	15,395,478	195,300	-	15,590,778
Purchases	1,570,437	-	-	1,570,437
Sales	(2,049,559)	-	-	(2,049,559)
Gain/(loss)				
- realised	459,341	(151,733)	-	307,608
- unrealised	4,372,199	37,561	-	4,409,760
Closing fair value at 30 June 2019	19,747,896	81,128	-	19,829,024
Split by:				
Listed equities	19,747,896	-	-	19,747,896
Bonds	-	-	-	-
Warrants	-	81,128	-	81,128
	19,747,896	81,128	-	19,829,024

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. There is one investment held at Level 3 with £nil value.

Please refer to pages 29 to 31 for an analysis of financial assets at fair value through profit or loss which are disclosed above.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

7. INVESTMENTS AT FAIR VALUE (continued)

	Fair Value Level 1 £	Fair Value Level 2 £	Fair Value Level 3 £	Fair Value Total £
Opening fair value at 1 January 2018	25,615,546	708,819	-	26,324,365
Purchases	3,721,023	59,021	-	3,780,044
Sales	(6,483,486)	-	-	(6,483,486)
Transfers	-	-	-	-
Loss				
- realised	(651,047)	-	-	(651,047)
- unrealised	(6,806,558)	(572,540)	-	(7,379,098)
Closing fair value at 31 December 2018	15,395,478	195,300	-	15,590,778
Split by:				
Listed equities	15,395,478	-	-	15,395,478
Warrants	-	195,300	-	195,300
	15,395,478	195,300	-	15,590,778

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. There are two investments held at Level 3 with £nil value.

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

	Period ended 30 June 2019 £	Period ended 30 June 2018 £
Realised gain/(loss) on financial assets designated as at fair value through profit or loss	307,608	(431,473)
Net unrealised gain/(loss) on financial assets designated as at fair value through profit or loss	4,409,760	(350,283)
Net capital gains/(losses) on financial assets	4,717,368	(781,756)
Dividend income and interest on bonds	9,255	3,242
Total net gains/(losses) on financial assets	4,726,623	(778,514)

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 – Warrants	Level 2	The fair value of Warrants has been calculated using the underlying listed prices, expiry dates and observable future volatility using the Black-Scholes method.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

7. INVESTMENTS AT FAIR VALUE (continued)

The Directors believe that the use of reasonable possible alternative assumptions for its Level 3 holdings would not result in a valuation materially different from the valuation included in these financial statements.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Period ended 30 June 2019	Year ended 31 December 2018
	£	£
Cash at bank	377,194	4,970,431
Bank overdraft	(1,350,261)	(6,458,013)
	<u>(973,067)</u>	<u>(1,487,582)</u>

Credit Suisse AG Dublin Branch ('CASGDB') 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 CSAGDB 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 CSAGDB can call in all outstanding funds. At no point during the period did the Company fall into deficit and at the period end the Company held an excess over the margin requirement of £9,573,864 (31 December 2018: £5,555,894).

The overdraft interest during the period of £25,291 (2018: £57,026) 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 by more than 50% of the previous calendar year, 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 period.

9. RECEIVABLES

	Period ended 30 June 2019	Year ended 31 December 2018
	£	£
General expenses prepaid	3,011	61
	<u>3,011</u>	<u>61</u>

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

10. PAYABLES AND ACCRUALS

	Period ended 30 June 2019	Year ended 31 December 2018
	£	£
Broker settlements	331,038	-
Investment management fee payable (note 5)	19,171	29,327
Administration fee payable (note 5)	16,206	16,250
Audit fee	11,405	23,000
Bank overdraft interest	2,556	14,973
Depositary fee payable (note 5)	1,400	1,400
Stock exchange listing	1,326	-
Registrar fee payable (note 5)	857	849
Safe custody	688	-
Other expenses	-	1,334
	<u>384,647</u>	<u>87,133</u>

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

11. SHARE CAPITAL

Authorised Share Capital as at 30 June 2019 and 31 December 2018

	No. of shares	£
Ordinary Shares of £0.001 par value	200,000,000	£200,000
Subscription Shares of no par value	<u>28,488,690</u>	<u>-</u>

	No. of Shares		Share Capital	
	2019	2018	2019	2018
			£	£
Issued and Fully Paid Share Capital				
Equity Shares				
Ordinary Shares of £0.001 each at inception				
As at 1 January and 30 June/31 December	<u>57,014,331</u>	<u>57,014,331</u>	<u>57,014</u>	<u>57,014</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.

Each Subscription Share confers the right, but not the obligation, to subscribe for one Ordinary Share. The subscription rights may be exercised annually on the last business day in November 2019 for 42.30p and in November 2020 for 46.14p, after which time the subscription rights will lapse.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

12. RESERVES

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.

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.

Realised Capital Reserve

The Realised Capital Reserve contains realised gains and losses on the disposal of investments, together with any expenses allocated to capital.

Unrealised Capital Reserve

The Unrealised Capital Reserve contains unrealised increases and decreases in the fair value of the Company's investment portfolio,

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 in 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 30 June 2019 there were no financial assets which were past due or impaired (31 December 2018: none).

The Board of Directors are satisfied that the Company's transactions are concluded with a suitably approved counterparty with an appropriate credit quality, CSAGDB currently has a Standard and Poor's credit rating of A-1/A (31 December 2018: 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:

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

13. FINANCIAL RISK MANAGEMENT (continued)

	Period ended 30 June 2019	Year ended 31 December 2018
	£	£
Cash and cash equivalents:		
Credit Suisse AG Dublin Branch	377,194	4,970,431
Receivables	3,011	61
Total assets at credit risk	380,205	4,970,492

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 30 June 2019 amounts to £81,128 (31 December 2018: £195,300).

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	30 June 2019 Total
	£	£	£	£	£
Gross settled:					
Broker settlements	331,038				331,038
Bank overdraft	1,350,261	-	-	-	1,350,261
Bank overdraft interest	2,556	-	-	-	2,556
Investment management fee payable	19,171	-	-	-	19,171
Administration fee payable	16,206	-	-	-	16,206
Audit fee	-	-	11,405	-	11,405
Depositary fee payable	1,400	-	-	-	1,400
Registrar fee payable	857	-	-	-	857
Safe custody fee payable	688	-	-	-	688
Stock exchange listing fees	1,326	-	-	-	1,326
	1,723,503	-	11,405	-	1,734,908

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

13. FINANCIAL RISK MANAGEMENT (continued)

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	31 December 2018 Total £
Gross settled:					
Bank overdraft	6,458,013	-	-	-	6,458,013
Bank overdraft interest	14,973	-	-	-	14,973
Investment management fee payable	29,327	-	-	-	29,327
Administration fee payable	16,250	-	-	-	16,250
Audit fee	-	-	23,000	-	23,000
Depositary fee payable	1,400	-	-	-	1,400
Registrar	849	-	-	-	849
Other expenses	1,334	-	-	-	1,334
	6,522,146	-	23,000	-	6,545,146

CSAGDB 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 CSAGDB 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 CSADGB 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.

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.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

13. FINANCIAL RISK MANAGEMENT (continued)

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, in 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 £5,948,707 (31 December 2018: £4,677,233) to a 30% (31 December 2018: 30%) increase or decrease in the market prices with other variables being held constant as at 30 June 2019. A 30% change is the sensitivity rate currently used when reporting price risk internally to key management personnel.

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. 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.

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 and liabilities maturing within four to twelve months of the period end.

As at 30 June 2019	0-3 Months £	1-5 Years £	Total £
Variable rate assets			
Cash and cash equivalents	377,194	-	377,194
Total interest bearing assets	377,194	-	377,194
Variable rate liabilities			
Bank overdraft	(1,350,261)	-	(1,350,261)
Total interest bearing liabilities	(1,350,261)	-	(1,350,261)

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

13. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

As at 31 December 2018	0-3 Months £	1-5 Years £	Total £
Variable rate assets			
Cash and cash equivalents	4,970,431	-	4,970,431
Total interest bearing assets	<u>4,970,431</u>	<u>-</u>	<u>4,970,431</u>
Variable rate liabilities			
Bank overdraft	(6,458,013)	-	(6,458,013)
Total interest bearing liabilities	<u>(6,458,013)</u>	<u>-</u>	<u>(6,458,013)</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 Interim 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 for the period would have been £505 (31 December 2018: £10,967) higher or lower 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 or 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 period end or used in the period (31 December 2018: None).

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

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 Interim Statement of Financial Position were as follows:

	30 June 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Australian Dollar (AUD)	7,255,043	-	6,041,959	-
Canadian Dollar (CAD)	10,474,128	(342,148)	9,868,570	-
United States Dollar (USD)	2,021,683	-	4,195,929	-
Swiss Franc (CHF)	-	-	228	-
Mexican Peso (MXN)	246,564	-	229,084	(280,570)
	<u>19,997,418</u>	<u>(342,148)</u>	<u>20,335,770</u>	<u>(280,570)</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% (2018: 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 period 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	MXN
30 June 2019	£	£	£	£
Change in net assets in response to a 10% change in foreign currency rates	806,116 <u>(659,549)</u>	1,125,776 <u>(921,089)</u>	224,631 <u>(183,789)</u>	27,396 <u>(22,415)</u>
31 December 2018				
Change in net assets in response to a 10% change in foreign currency rates	671,329 <u>(549,269)</u>	1,096,508 <u>(897,143)</u>	466,214 <u>(381,448)</u>	(5,721) <u>4,681</u>

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2019

13. FINANCIAL RISK MANAGEMENT (continued)

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 period.

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 Interim Statement of Financial Position date.

14. CONTINGENT LIABILITIES

There were no contingent liabilities at the interim statement of financial position date.

15. 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.

16. NAV RECONCILIATION

	Period ended 30 June 2019	Year ended 31 December 2018
Net Asset Value per financial statements	£18,474,321	£14,016,124
Number of shares in issue	57,014,331	57,014,331
NAV per Ordinary Share	32.40p	24.58p
Issued NAV per Ordinary Share	32.74p	24.87p

The major difference between the IFRS NAV per Ordinary Share and the Issued NAV per Ordinary Share relates to the pricing of the Investment Portfolio which is valued at a bid price for accounting purposes under IFRS and mid-price for the Issued NAV purposes.

Portfolio Statement

As at 30 June 2019

Description	Holding	Fair Value £	% of Total Net Assets
Equities			
Australia			
Westgold Resources	2,151,810	2,218,728	12.00
West African Resources	10,619,957	1,903,113	10.30
Silver Lake Resources	2,033,372	1,395,869	7.56
Cardinal Resources	2,807,991	526,421	2.85
Oklo Resources	3,784,349	312,998	1.69
Independence Group	96,595	250,862	1.36
Metals X	1,436,651	194,078	1.05
Amani Gold	34,526,282	38,075	0.21
Ausgold Ltd	3,036,038	23,437	0.13
S2 Resources	328,898	19,949	0.11
Lachlan Star Ltd	120,000	529	-
		6,884,059	37.26
Canada			
Americas Silver	1,062,188	1,916,039	10.36
Roxgold	1,797,359	1,145,572	6.19
Continental Gold	450,000	1,017,377	5.51
Pure Gold Mining	2,162,000	753,990	4.08
Asanko Gold	1,504,583	732,796	3.97
Guyana Goldfields	930,489	548,301	2.97
Ascendant Resources	1,978,974	511,634	2.77
Atlantic Gold	295,000	509,079	2.76
Integra Resources	788,333	412,392	2.23
Silvercrest Metals	132,000	408,755	2.21
Liberty Gold	1,251,000	376,105	2.04
Pan American Silver	32,546	330,724	1.79
Fortuna Silver Mines	145,795	326,989	1.77
Sabina Gold & Silver	388,435	308,300	1.67
Wheaton Precious Metals	15,000	284,559	1.54
Bluestone Resources	363,000	216,084	1.17
Trevali Mining	712,000	117,732	0.64
Pretium Resources	14,000	110,108	0.60

Portfolio Statement

As at 30 June 2019

Description	Holding	Fair Value £	% of Total Net Assets
<u>Equities - continued</u>			
Pan American Silver	168,700	85,200	0.46
Santacruz Silver Mining	1,693,102	81,443	0.44
Mandalay Resources	983,960	76,913	0.42
Columbus Gold	717,000	75,446	0.41
Lydian International	589,000	49,582	0.27
Allegiant Gold	73,400	5,737	0.03
		10,400,857	56.30
United Kingdom			
Keras Resources	37,500,000	131,250	0.71
Hummingbird Resources	470,000	77,550	0.42
Sovereign Bauxite of Guinea Ltd*	100,000	-	-
		208,800	1.13
Mexico			
Industrias Penoles	24,000	242,800	1.31
		242,800	1.31
United States			
Pretium Resources	109,832	862,984	4.67
First Majestic Silver	89,140	553,317	3.00
MAG Silver	35,000	289,856	1.57
Platinum Group Metals	157,145	159,281	0.86
Agnico Eagle Mines	3,000	120,735	0.65
Pan American Silver	50,000	25,207	0.14
		2,011,380	10.89
Total Equities		19,747,896	106.89
<u>Warrants</u>			
American Silver 09/06/2021*2	1,148,279	33,371	0.18
Ascendant Resources 07/03/2022*2	514,043	18,545	0.10
American Silver 16/06/2021*2	364,060	10,580	0.06

Portfolio Statement

As at 30 June 2019

Warrants - Continued			
Platinum Group Metals 15/11/2019* ²	999,900	7,857	0.04
Pure Gold Mining 24/05/2020* ²	200,000	6,013	0.03
Bluestone Resources 19/03/2021* ²	44,000	4,762	0.03
Total Warrants		81,128	0.44
Total investments		19,829,024	107.33
Other current assets less payables and accruals		(4,442)	(0.02)
Bank overdraft		(1,350,261)	(7.31)
Total Net Assets		18,474,321	100.00

* Level 3 unlisted equities.

*² Level 2 unlisted warrants

Summary of Investments

Equities

Canada	10,400,857	56.30
Australia	6,884,059	37.26
United States	2,011,380	10.89
Mexico	242,800	1.31
United Kingdom	208,800	1.13
	19,747,896	106.89
Warrants	81,128	0.44
Total Investments	19,829,024	107.33
Other current assets less payables and accruals	(4,442)	(0.02)
Bank overdraft	(1,350,261)	(7.31)
Total Net Assets	18,474,321	100.00

Management and Administration

As at 30 June 2019

Directors

Malcolm Burne
Toby Birch
Robert King
Graeme Ross

Registered office

3rd Floor, 1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

Details available at – www.ncim.co.uk

Secretary and Administrator

Maitland Administration (Guernsey) Limited
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

Principal Bankers and Custodian

Credit Suisse AG, Dublin Branch
Kilmore House
Park Lane
Spencer Dock
Dublin 1
Ireland

Investment Manager

CQS (UK) LLP
4th Floor
One Strand
London
WC2N 5HR

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

AIFM

CQS (UK) LLP
4th Floor
1 Strand
London
WC2N 5HR

New City Investment Managers

(a trading name of CQS (UK) LLP, previously CQS Asset Management Limited)
4th Floor
1 Strand
London
WC2N 5HR

TISE Sponsor

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

Independent Auditor to the Company

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

Financial Adviser and Broker to the Company

Cantor Fitzgerald Europe L.P. (to 8th February 2019).
One Churchill Place
Canary Wharf
London
EH14 5RB

Depositary

INDOS Financial Limited
25 North Row
London
W1K 6DJ

Financial Adviser and Broker to the Company

finCapp Ltd (from 8th February 2019).
60 New Broad Street
London
EC2M 1JJ

Advocates to the Company as to Guernsey Law

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

Management and Administration

As at 30 June 2019

Solicitors to the Company as to English Law

Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU

Registrar and CREST Agent

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

Shore Capital
Bond Street House
14 Clifford Street
London W1S 4JU

KBC Peel Hunt
111 Old Broad Street
London EC2N 1PH

Cantor Fitzgerald Europe
17 Crosswall
London
EC3N 2LB

Winterflood Securities
25 Dowgate Hill
London
EC4R 2GA