# Golden Prospect Precious Metals Limited

## Annual Report and Audited Financial Statements

for the year ended 31 December 2016

# Contents

Page

# Chairman's Statement
For the year ended 31 December 2016

It gives me a great pleasure to report that in our tenth anniversary year GPPM was the best performing* closed end fund having recorded an impressive 103% increase in NAV during 2016.

Following on from our three previous statements we remain very bullish on the gold price and gold and silver equities. Our increased focus on a high silver weighting and larger exposure to producers and developers served us well. With the market responding encouragingly again to gold equities we are now moving some funds back into exciting explorations stories.

Over the past few weeks it has been noticed that a plethora of precious metals online sites and newsletters, which daily carry a selection of articles and comments globally, are over 80% positive about the outlook for gold compared with the usual circa 50/50 balance between bears and bulls. In my view this represents a highly significant shift in views bearing in mind that the rump of writers are either informed or professionally acclaimed with strong track records. It is not hard to see why all the boxes in favour of a strong outlook for bullion and gold equities remain ticked and I offer up a round of the more salient arguments by way of general overview.

Global political and economic instability is obviously still extremely worrying and the number of failed States in the world is still rising. Elections in France and Germany are rapidly approaching and add to the risks at a time when the euro currency is arguably structurally flawed. Not to mention the prospect of another Greek bailout and the constitutional referendum in Turkey and of course there is Brexit with all the imagined scenarios and their possible nasty ripple effects. It's not surprising therefore that the renewed safe heaven demand for gold in response to all the tensions is getting increasing traction again and fuelled by 'Trumpflation'. Conversely Trump stock market euphoria on the notion of 'America will be great again' had until very lately taken the wind out of precious metal investors reflected in US mint sales of gold and silver having plummeted in the West (chiefly the in US). Against this however, gold sales surged in the East. Shanghai gold exchange withdrawals surged by two thirds in February compared to the same month last year.

Interestingly, Perth Mint sales dropped by circa 30%, US gold Eagles fell by over 60% with very similar figures for silver. This disparity which is the topic of much debate by the denizens of the physical gold markets may have more to do with fears beginning to grip the Chinese because of their current debt bubble. National debt load is circa $23 trillion – five times what it was a decade ago and more than 2.5 times the size of the Country's entire economy. Frightening to say the least! This debt bubble is given as the reasons that some of the so called 'smart money' is accumulating the yellow metal. For example Peter Druckenmiller, former partner of George Soros (also a big holder) recently invested $320 million in the SPDR Gold Trust ETF. John Paulson is said to be selling bonds to buy gold as of an estimated $60 trillion bond market, $10 trillion is thought to be in fixed income that is negative yielding. Central banks in Europe have been deploying NIR that rapidly erodes value. And it's not just Switzerland and the Eurozone. Japan is also in NIR mode and continues to run an aggressive QE programme. But not so in the US where 3 rate hikes are forecast in 2017 unless Trump fights the FED due to his preference for a weak not stronger dollar.

This robust demand for gold has arrived at a time of dwindling supply of the physical. The amount of gold discovered in 2015 was down 85% reflecting a savage bear market for miners and the effect this had on their capital expenditure and exploration programmes. Reserves for the major producers are the lowest in a decade. Output from the world gold mines is expected to peak in next 18 months and comes at a time of a rising tide in gold demand from growing middle classes throughout the whole of Asia. Countries such as China and India still have a cultural affinity for gold and hundreds of millions of people are steadily climbing out of poverty. What all of this tight market backcloth means of course is much higher gold prices! One could go on about all the other reasons helping the bullish case such as Russia and other Central banks still buying as much as they can get. The increasing hawkish noises from the White House over the North Korea nuclear programme and the impending US debt ceiling saga coming to a head on 28th April, which last time drove the gold price up significantly.

Finally, a tsunami of paper gold is another continued factor that bullion buyers must keep a wary eye on. A recent survey revealed that total global exchange notional trading amounted to $9.8 trillion in 2016 which was up 46% from $6.7 trillion in 2015. Even more significant is that this $9.8 trillion of paper gold compares to $42 billion in physical gold investment, i.e. 230 times the amount of paper gold traded for each ounce of physical purchase. One would not want to be holding synthetic unallocated positions with dealers.

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.

**Malcolm Burne**
**Chairman**

* Source - Winterflood Investment Trusts 2017 annual review

# Board Members

For the year ended 31 December 2016

---

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 Threadneedle UK Select Trust 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 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.

The Directors present their Report and the Audited Financial Statements of Golden Prospect Precious Metals Limited (the 'Company') for the year ended 31 December 2016.

### 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 Ordinary Shares were admitted to the Official List of the Channel Islands Stock Exchange which subsequently transferred to The Channel Islands Exchange Authority Limited on 24 June 2008. The Channel Islands Security Exchange rebranded to The International Securities Exchange ('TISE') on 6 March 2017. Effective 21 September 2009 the Ordinary Shares trade on the London Stock Exchange Electronic Trading Service SETS QX with code GPM.

### 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

### Results and dividends

The Company's performance during the year is discussed in the Investment Manager's Report on page 10. The results for the year are set out in the Statement of Comprehensive Income on page 14. The Directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: £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. 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 2016, and as at the date of signing these Financial Statements:

| Director | Ordinary Shares 2016 | Ordinary Shares 2015 |
|---|---|---|
| M Burne | 437,500 | 437,500 |
| K Foy | 25,000 | 25,000 |
| R King | 20,000 | 20,000 |
| T Birch | 50,000 | 50,000 |

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

| Director | 2016 £ | 2015 £ |
|---|---|---|
| M Burne * | 12,000 | 12,000 |
| K Foy ** | 12,000 | 12,000 |
| R King | 12,000 | 12,000 |
| T Birch | 12,000 | 12,000 |

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

*    Chairman

**  Chairman of the Audit Committee

### 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 Tuesday 23rd May 2017 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 (2015: 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 Company'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 International 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 to be independent of the Investment Manager.

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

The Audit Committee has been established with written terms of reference and is comprised of all 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. 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:

| | % of issued share capital |
|---|---|
| Clients of HSBC Global Custody Nominee (UK) | 14.28% |
| Clients of Hargreaves Lansdown (Nominees) Limited | 12.67% |
| Clients of the Bank of New York (Nominees) Limited | 10.81% |

### 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 and Computershare Investor Services (Guernsey) Limited, which acts as Registrar for the Company.

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.

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.

### Independent 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 12 April 2017 and signed on behalf of the Board by:

**Robert King** **Toby Birch**

Gold posted a healthy gain during 2016 ending the year up 8.5% at $1,152/oz. Over the period there was a distinct swing in investment fund flows with gold rising almost 29% to a post Brexit high of $1,366/oz before relinquishing some gains as the year ended. Price strength at the beginning of the year, as fears of a global liquidity crisis drove investor flight to safety was spurred on by the potential destabilising implications of UK's late June Brexit vote. This allowed gold to markedly outperform other industrial commodities during the first half of the year despite an improving economic backdrop which would normally increase investors risk appetite. Precious metals were one of the best performing asset classes and the strong performance of gold and silver, which rose 38% and 47% respectively in sterling terms in the first half of the year, helped drive a 130% gain in the Fund's NAV over the same period.

This exceptional performance partially reversed through the second half, notably following the election of Donald Trump as US President. This refocussed investor attention on the improving economic outlook and the consequent prospect of rising US interest rates. In addition, business friendly policy proposals put forward by the Trump administration accentuated fund flows into more risky assets such as copper whose subsequent 12% price appreciation almost exactly mirrored the decline of gold's with physically backed ETFs liquidating 7Moz of gold holdings in the final six weeks of 2016. Nevertheless, the Fund NAV ended the year up almost 103% despite gold's pull-back. In spite of a bias towards lower cost operations, this performance compared well to equivalent sterling returns from the more operationally leveraged GDXJ equity ETF and Philadelphia Gold and Silver Index, testament to a greater focus on equity valuation. As an illustration of this value approach, the sale of Fresnillo during the mid-year Brexit frenzy and reinvestment of proceeds into its 75% parent Penõles has provided a notable benefit to performance. At the time of writing the latter has risen almost 8% in sterling terms since purchase versus a 20% share price decline registered by Fresnillo.

With the US economy approaching full employment and wage inflation pressures rising, the US central bank appears to have fulfilled its key employment mandate and it seems probable that they will increase rates further. This was a major driver of US dollar strength which weighed on precious metal in the final weeks of 2016 following Trump's election success. Importantly, the sector's heavy sell-off into December last year may have substantially discounted a series of US rate increases. Indeed since the start of 2017 precious metal prices have again picked-up with gold and silver prices rising 7% and 10% in sterling terms despite the initial 2017 rate move by the FED in February, though equities have shown more muted year-to-date gains. Latterly in 2017, the inability of Trump to gain Congressional approval for his healthcare bill threatens to stall policy implementation has reduced investor risk appetite, supporting gold.

Improving economic conditions are also showing signs of filtering out to other regions such as Europe where the ECB has recently suggested the possibility that Eurozone interest rates, currently in negative territory, could rise. This has undermined impetus behind the US dollar. Stronger economic conditions globally, together with China's ongoing commitment to removing industrial overcapacity, are also contributing upward pressure on inflation. This is likely to be an increasingly important driver of gold prices, especially in the still low interest rate environment. For these reasons precious metal equity exposure remains attractive.

In addition, low implied volatility across a range of asset classes, together with gold's lack of reaction to global events is a potential indicator of complacency towards geopolitical risks. Within Europe, though Dutch voters may not have elected Geert Wilders nationalist party there has nevertheless been a populist shift within the incumbent government, indicative of creeping nationalism which has inherent potential to destabilise markets. French and German elections still pose similar risks. Elsewhere North Korean missile tests provoked very little reaction indeed. Notwithstanding such flash points, risks from US policy, such as delays to Congressional approval or a broader escalation of international tensions, warrant exposure to gold as an insurance premium.

The Fund remains heavily weighted to those companies we believe are likely takeout targets, as we believe there will be a pickup in acquisitions later in the year and through 2018. This is due to an extended prior period of low exploration expenditure from the large and mid cap precious metal producers, resulting in little or no organic growth, often with declining reserves from their existing mines. The larger producers have typically been inefficient with their organic exploration, often spending significant sums for minimal exploration reward. A pick up in corporate transactions would cause the valuation gap between the smaller producers and developers of assets to close with the relatively higher multiple valuations of those potential acquirers, which should hopefully support a strong relative performance. We have already seen Sibanye look to pay $2.2bn for Stillwater mining, Gold Fields acquire A$350m of projects in Australia and China's Shandong Gold Mining acquire 50% of an Argentinean mine from Barrick for $960m, but we believe there is more consolidation to come.

The Funds basic approach to investment in higher quality, attractively valued assets remains in place. Recently, positions in more richly valued investments including Klondex, Penõles and Westgold have been reduced following their strong relative performance. Proceeds have been reinvested into more attractively valued and well-funded developers and producers such as Pretium and Guyana Goldfields. Silver miners performed well, boosted by a helpful confluence of silver price, cost benefits of Mexican Peso weakness and strong by-product credits. While the position in Penõles has recently been reduced exposure to zinc and lead has been retained via direct holdings in some zinc miners Trevali and Ascendant.

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

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

We have audited the financial statements of Golden Prospect Precious Metals Limited for the year ended 31 December 2016 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 Annual 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 2016 and of its profit 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)

**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

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

Date: 12 April 2012

# Statement of Comprehensive Income
For the year ended 31 December 2016

| | Notes | Revenue £ | Capital £ | 2016 Total £ | 2015 Total £ |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Income from investments designated at fair value through profit or loss | 7 | 208,890 | - | 208,890 | 291,208 |
| Net capital gains/(losses) on investments at fair value through profit or loss | 7 | - | 13,475,134 | 13,475,134 | (4,776,892) |
| **Net investment gains/(losses)** | | **208,890** | **13,475,134** | **13,684,024** | **(4,485,684)** |
| **Expenses** | | | | | |
| Investment management fees | 5 | (312,889) | - | (312,889) | (193,545) |
| Exchange loss | | (233,168) | - | (233,168) | (65,431) |
| Administration fees | 5 | (65,000) | - | (65,000) | (65,000) |
| Directors' fees | 5 | (48,000) | - | (48,000) | (48,000) |
| Audit fees | | (20,000) | - | (20,000) | (20,000) |
| Financial advisers fees | 5 | (17,354) | - | (17,354) | - |
| Depositary fees | 5 | (16,850) | - | (16,850) | (16,800) |
| Other expenses | | (12,746) | - | (12,746) | (39,025) |
| Custodian fees | 5 | (12,165) | - | (12,165) | (9,039) |
| Registrar's fees | 5 | (10,563) | - | (10,563) | (18,119) |
| Legal and professional fees | | (9,757) | - | (9,757) | (17,905) |
| Sponsor fees | | (8,601) | - | (8,601) | (10,452) |
| Directors' insurance costs | | (5,645) | - | (5,645) | (5,648) |
| Printing | | (1,847) | - | (1,847) | (3,219) |
| **Total operating expenses** | | **(774,585)** | **-** | **(774,585)** | **(512,183)** |
| **Operating profit/(loss)** | | **(565,695)** | **13,475,134** | **12,909,439** | **(4,997,867)** |
| **Finance cost** | | | | | |
| Finance income | | 1,406 | - | 1,406 | 136 |
| Overdraft interest | 8 | (64,693) | - | (64,693) | (49,690) |
| **Profit/(loss) for the year before tax** | | **(628,982)** | **13,475,134** | **12,846,152** | **(5,047,421)** |
| Withholding tax | | (37,651) | - | (37,651) | (57,650) |
| **Profit/(loss) for the financial year** | | **(666,633)** | **13,475,134** | **12,808,501** | **(5,105,071)** |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income/(expense) for the year** | | **(£666,633)** | **£13,475,134** | **£12,808,501** | **(£5,105,071)** |
| **Basic and diluted earnings/(loss) per Ordinary share (pence)** | 6 | | | **22.47p** | **(8.96p)** |

The 'Total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS as adopted 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 18 to 35 form an integral part of these Financial Statements.

## Statement of Changes in Equity
For the year ended 31 December 2016

| | Share Capital | Revenue Reserve | Distributable Reserve | Realised Capital Reserve | Unrealised Capital Reserve | Total Equity |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Balance as at 1 January 2016** | 57,002 | (3,916,365) | 43,995,959 | (20,402,470) | (7,322,650) | 12,411,476 |
| Total comprehensive income for the year | - | (666,633) | - | 3,900,219 | 9,574,915 | 12,808,501 |
| Total transactions with owners | - | - | - | - | - | - |
| **Balance as at 31 December 2016** | **£57,002** | **(£4,582,998)** | **£43,995,959** | **(£16,502,251)** | **£2,252,265** | **£25,219,977** |
| **For the year ended 31 December 2015** | | | | | | |
| **Balance as at 1 January 2015** | 57,002 | (3,588,186) | 43,995,959 | (9,213,510) | (13,734,718) | 17,516,547 |
| Total comprehensive expense for the year | - | (328,179) | - | (11,188,960) | 6,412,068 | (5,105,071) |
| Total transactions with owners | - | - | - | - | - | - |
| **Balance as at 31 December 2015** | **£57,002** | **(£3,916,365)** | **£43,995,959** | **(£20,402,470)** | **(£7,322,650)** | **£12,411,476** |

The notes on pages 18 to 35 form an integral part of these Financial Statements

## Statement of Financial Position

As at 31 December 2016

| | Notes | 2016 £ | 2015 £ |
|---|---|---|---|
| **Current Assets** | | | |
| Investments at fair value through profit or loss | 7 | 29,352,529 | 13,449,764 |
| Cash and cash equivalents | 8 | 61,400 | 29,902 |
| Receivables | 9 | 16,602 | 29,750 |
| **Total Assets** | | 29,430,531 | 13,509,416 |
| **Current Liabilities** | | | |
| Payables and accruals | 10 | (115,955) | (83,125) |
| Bank overdraft | 8 | (4,094,599) | (1,014,815) |
| **Total Liabilities** | | (4,210,554) | (1,097,940) |
| **Net Assets** | | **£25,219,977** | **£12,411,476** |
| **Equity** | | | |
| Share capital | 11 | 57,002 | 57,002 |
| Revenue reserve | 12 | (4,582,998) | (3,916,365) |
| Distributable reserve | 12 | 43,995,959 | 43,995,959 |
| Realised capital reserves | 12 | (16,502,251) | (20,402,470) |
| Unrealised capital reserves | 12 | 2,252,265 | (7,322,650) |
| **Total Equity** | | **£25,219,977** | **£12,411,476** |
| **Number of Ordinary Shares in issue** | 11 | **57,002,026** | **57,002,026** |
| **Net Asset Value per Ordinary Share (pence)** | 17 | **44.24p** | **21.77p** |

The Financial Statements on pages 14 to 35 were approved by the Board of Directors and authorised for issue and signed on 12th April 2017 on its behalf by:

**Robert King** **Toby Birch**

The notes on pages 18 to 35 form an integral part of these Financial Statements.

## Statement of Cash Flows
For the year ended 31 December 2016

| | Notes | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the financial year | | 12,808,501 | (5,105,071) |
| Adjustment for: | | | |
| Net capital (gains)/losses on investments at fair value through profit or loss | | (13,475,134) | 4,776,892 |
| Operating cash flows before movements in working capital | | (666,633) | (328,179) |
| Decrease/(increase) in receivables | | 13,148 | (6,026) |
| Increase in payables and accruals | | 32,830 | 17,572 |
| Purchase of investments | 7 | (18,412,394) | (10,965,186) |
| Proceeds from sale of investments | 7 | 15,984,763 | 12,500,238 |
| **Net cash (used in)/generated from operating activities** | | **(3,048,286)** | **1,218,419** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,048,286)** | **1,218,419** |
| Net cash and cash equivalents at beginning of year | 8 | (984,913) | (2,203,332) |
| **Cash and cash equivalents at year end** | 8 | **(£4,033,199)** | **(£984,913)** |

**Supplementary cash flow information**

| Net cash (used in)/generated from operating activities include: | £ | £ |
|---|---|---|
| Interest received on cash balances | 1,406 | 136 |
| Interest paid on cash balances | (64,693) | (49,690) |
| Income received from investments | 224,047 | 285,134 |

The notes on pages 18 to 35 form an integral part of these Financial Statements.

## 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. 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 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 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 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 presentation currency.

**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.

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.

## 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 year are consistent with those of the previous financial period. Although there were a number of new standards and interpretations that apply for the first time in 2016, none of these had any significant impact of the Company's Financial Statements.

### 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:

- IAS 7, 'Statement of Cash Flows Disclosures – Amendments regarding
- 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.

These standards and interpretations will be adopted by the Company when they become effective. The Directors anticipate that 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 have considered the impact of IFRS 9. All of the existing investments are 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 will be no material impact on the financial statements with the adoption of IFRS 9.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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 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 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*

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Derecognition (continued)*
Sales of investments awaiting settlement are sales of securities transacted before the year end with a post year end settlement date.

*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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial liabilities (continued)**

*Derecognition*

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.

**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.

**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 36.

## 3. TAXATION

The Company has been granted exemption from Guernsey taxation and has paid an annual exemption fee for the year of £1,200 (2015: £1,200).

## 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 (2015: £12,000). During the year Directors' fees of £48,000 were charged to the Company (2015: £48,000) and £12,000 was payable at the year end (2015: £12,000). 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 year investment management fees of £312,889 were charged to the Company (2015: £193,545) and £54,005 was payable at the year end (2015: £13,068).

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 (2015: £nil).

**Other significant agreements**

***Administrator***

The Company's Administrator is R&H Fund Services (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 year administration fees of £65,000 were charged to the Company (2015: £65,000) and £16,250 was payable at the year end (2015: £32,767).

***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 £12,165 were charged to the Company (2015: £9,039) and £nil was payable at the year end (2015: £nil).

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

**Other significant agreements (continued)**

***Depositary Fees***

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 0.02% 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 £16,850 were charged to the Company (2015: £16,800) and £1,476 was payable at the year end (2015: £1,427).

***Financial Adviser and Corporate Broker***

The Company appointed Cantor Fitzgerald as Financial Advisor and Corporate Broker ('Financial Adviser') from 4 January 2016. Under the agreement, the Financial Adviser is entitled to receive from the Company an annual fee of £17,500 per annum payable quarterly in advance. During the year financial adviser fees of £17,354 were charged to the Company and £nil was payable at the year end.

***Registrar Fees***

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 year registrar fees of £10,563 were charged to the Company (2015: £18,119) and £849 was payable at year end (2015: £1,235).

## 6. BASIC AND DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per Ordinary Share is calculated by dividing the comprehensive income for the year of £12,808,501 (2015: loss £5,105,071) by the weighted average number of Ordinary Shares outstanding during the year. The weighted average number of Ordinary Shares for the year is 57,002,026 (2015: 57,002,026). 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. 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 2016 | 12,949,568 | 500,196 | - | 13,449,764 |
| Purchases | 18,016,120 | 396,274 | - | 18,412,394 |
| Sales | (15,984,763) | - | - | (15,984,763) |
| Gain/(loss) | | | | |
| - realised | 3,900,219 | - | - | 3,900,219 |
| - unrealised | 9,330,295 | 244,620 | - | 9,574,915 |
| Closing fair value at 31 December 2016 | 28,211,439 | 1,141,090 | - | 29,352,529 |

## 7. INVESTMENTS AT FAIR VALUE (continued)

| | | | | |
|---|---|---|---|---|
| Split by: | | | | |
| Listed equities | 28,211,439 | - | - | 28,211,439 |
| Bonds | - | 754,562 | - | 754,562 |
| Warrants | - | 386,528 | - | 386,528 |
| | 28,211,439 | 1,141,090 | - | 29,352,529 |

During the year ended 31 December 2016 there were no transfers of fair value measurements between the levels. There are two investments held at Level 3 with a total value of nil.

Please refer to pages 36 to 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 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 | 12,949,568 | 500,196 | - | 13,449,764 |

| | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 | Fair Value Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Split by: | | | | |
| Listed equities | 12,949,568 | - | - | 12,949,568 |
| Bonds | - | 500,196 | - | 500,196 |
| Warrants | - | - | - | - |
| | 12,949,568 | 500,196 | - | 13,449,764 |

During the year ended 31 December 2015 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.

## 7. INVESTMENTS AT FAIR VALUE (continued)

**Net gains/(losses) on financial assets at fair value through profit or loss:**

| | 2016 £ | 2015 £ |
|---|---|---|
| Realised gain/(loss) on financial assets designated as at fair value through profit or loss | 3,900,219 | (11,188,960) |
| Net unrealised gain on financial assets designated as at fair value through profit or loss | 9,574,915 | 6,412,068 |
| **Net capital gains/(losses) on financial assets** | £13,475,134 | (£4,776,892) |
| Dividend income and interest on bonds | 208,890 | 291,208 |
| **Total net gains/(losses) on financial assets** | £13,684,024 | (£4,485,684) |

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. |

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:

| | 2016 £ | 2015 £ |
|---|---|---|
| Cash at bank | 61,400 | 29,902 |
| Bank overdraft | (4,094,599) | (1,014,815) |
| | (£4,033,199) | (£984,913) |

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.

## 8. CASH AND CASH EQUIVALENTS (continued)

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 £13,764,177 (2015: £6,700,299).

The overdraft interest during the year of £64,693 (2015: £49,690) 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

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Dividend income receivable | - | 15,668 |
| Bond interest receivable | 9,540 | 9,030 |
| General expenses prepaid | 6,786 | 5,050 |
| Bank interest receivable | 276 | 2 |
| | £16,602 | £29,750 |

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

## 10. PAYABLES AND ACCRUALS

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Investment management fee payable (note 5) | 54,005 | 13,068 |
| Audit fee | 20,000 | 20,000 |
| Directors' fees payable (note 5) | 12,000 | 12,000 |
| Administration fee payable (note 5) | 16,250 | 32,767 |
| Bank overdraft interest | 11,119 | 2,372 |
| Depositary fee payable (note 5) | 1,476 | 1,427 |
| Sundry creditor | 1,105 | 1,491 |
| | £115,955 | £83,125 |

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 31 December 2016 and 31 December 2015**

| | No. of shares | £ |
|---|---|---|
| Ordinary Shares of £0.001 par value | 200,000,000 | £200,000 |

| | No. of Shares 2016 | No. of Shares 2015 | Share Capital 2016 | Share Capital 2015 |
|---|---|---|---|---|
| **Issued and Fully Paid Share Capital** | | | £ | £ |
| **Equity Shares** | | | | |
| ***Ordinary Shares of £0.001 each at inception*** | | | | |
| As at 1 January and 31 December | 57,002,026 | 57,002,026 | 57,002 | 57,002 |

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

**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.

## 13. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)
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 2016 there was no financial assets which were past due or impaired (31 December 2015: none).

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 (2015: 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:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Debt securities | 754,562 | 500,196 |
| Cash and cash equivalents: | | |
| Credit Suisse Securities (Europe) Limited | 61,400 | 29,902 |
| Receivables | 9,816 | 24,700 |
| Total assets at credit risk | £825,778 | £554,798 |

The Maya Gold and Silver bond of £241,204, which is part of the total debt securities of £754,562, was repaid on 4 April 2017. As the remaining debt security is not material and is not exposed to material credit risk no credit ratings are disclosed.

### 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 2016 amounts to £1,141,090 (2015: £500,196).

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.

## 13. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

| | Less than 1 month | 1-3 months | 3 months to 1 year | 1 year to 5 years | 2016 Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Gross settled:** | | | | | |
| Bank overdraft | - | 4,094,599 | - | - | 4,094,599 |
| Bank overdraft interest | 11,119 | - | - | - | 11,119 |
| Investment management fee payable | 54,005 | - | - | - | 54,005 |
| Administration fee payable | 16,250 | - | - | - | 16,250 |
| Directors' fees payable | 12,000 | - | - | - | 12,000 |
| Audit fee | - | - | 20,000 | - | 20,000 |
| Depositary fee payable | 1,476 | - | - | - | 1,476 |
| Sundry creditor | 1,105 | - | - | - | 1,105 |
| | £95,955 | £4,094,599 | £20,000 | £- | £4,210,554 |

| | Less than 1 month | 1-3 months | 3 months to 1 year | 1 year to 5 years | 2015 Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Gross settled:** | | | | | |
| 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 |

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 date of the Statement of Financial Position 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.

## 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 £8,805,759 (2015: £4,034,929) to a 30% (2015: 30%) increase or decrease in the market prices with other variables being held constant as at 31 December 2016. 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.

## 13. FINANCIAL RISK MANAGEMENT (continued)

### Interest rate risk (continued)

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 Maya Gold and Silver bond of £241,204 as included in the total debt securities of £754,562 was repaid on 4 April 2017. The remaining bond is not exposed to material interest rate risk and therefore no sensitivity is disclosed.

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 2016 | 0-3 Months £ | 1-5 Years £ | Total £ |
|---|---|---|---|
| ***Variable rate assets*** | | | |
| Cash and cash equivalents | 61,400 | - | 61,400 |
| ***Fixed rate assets*** | | | |
| Debt securities | - | 754,562 | 754,562 |
| **Total interest bearing assets** | 61,400 | 754,562 | 815,962 |
| ***Variable rate liabilities*** | | | |
| Bank overdraft | (4,094,599) | - | (4,094,599) |
| **Total interest bearing liabilities** | (4,094,599) | - | (4,094,599) |

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

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

## 13. FINANCIAL RISK MANAGEMENT (continued)

### 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 £7,412 (2015: £5,635) 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 (2015: None).

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:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | £ | £ | £ | £ |
| Australian Dollar (AUD) | 7,108,510 | (2,355,916) | 3,494,810 | (859,344) |
| Canadian Dollar (CAD) | 18,244,469 | (1,023,205) | 7,624,129 | (143,420) |
| United Stated Dollar (USD) | 2,765,826 | (706,780) | 1,144,274 | - |
| Swiss Franc (CHF) | 228 | - | 194 | - |
| Mexican Peso (MXN) | 1,304,713 | - | - | - |
| | 29,423,746 | (4,085,901) | 12,263,407 | (1,002,764) |

## 13. FINANCIAL RISK MANAGEMENT (continued)

### Foreign currency sensitivity

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

The following table details the Company's sensitivity to a 10% (2015: 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 | MXN |
|---|---|---|---|---|
| **31 December 2016** | **£** | **£** | **£** | **£** |
| Change in net assets in response to a | 528,066 | 1,913,474 | 228,783 | 144,968 |
| 10% change in foreign currency rates | (432,054) | (1,565,569) | (187,186) | (118,610) |
| **31 December 2015** | | | | |
| Change in net assets in response to a | 292,830 | 831,190 | 127,142 | - |
| 10% change in foreign currency rates | (239,588) | (680,064) | (104,025) | - |

### 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.

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

There were no 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

| | 2016<br>£ | 2015<br>£ |
|---|---|---|
| Net Asset Value per financial statements | £25,219,977 | £12,411,476 |
| Number of shares in issue at the year end | 57,002,026 | 57,002,026 |
| NAV per Ordinary Share | 44.24p | 21.77p |
| Issued NAV per Ordinary Share | 44.76p | 21.55p |

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.

# Unaudited Portfolio Statement

As at 31 December 2016

| Description | Holding | Fair Value £ | % of Total Net Assets |
|---|---|---|---|
| **Equities** | | | |
| **Australia** | | | |
| Amani Gold | 8,944,444 | 245,474 | 0.97 |
| Ausgold Ltd | 3,375,000 | 59,122 | 0.23 |
| Cardinal Resources | 2,792,144 | 374,990 | 1.49 |
| Doray Minerals | 1,000,000 | 248,166 | 0.98 |
| Independence Group | 584,176 | 1,470,196 | 5.83 |
| Lachlan Star Ltd * | 600,000 | - | 0.00 |
| Metals X | 3,289,448 | 1,066,032 | 4.23 |
| S2 Resources | 589,260 | 75,698 | 0.30 |
| Troy Resources | 7,968,897 | 674,715 | 2.68 |
| West African Resources | 10,268,185 | 1,319,078 | 5.23 |
| Westgold Resources | 1,644,724 | 1,575,038 | 6.25 |
| | | 7,108,509 | 28.19 |
| **Canada** | | | |
| Americas Silver | 504,113 | 1,030,508 | 4.08 |
| Asanko Gold | 375,857 | 926,979 | 3.67 |
| Ascendant Resources | 952,000 | 717,581 | 2.84 |
| Atico Mining Corp | 250,000 | 140,200 | 0.56 |
| Continental Gold | 500,000 | 1,323,605 | 5.25 |
| Dalridian Resources | 447,075 | 310,029 | 1.23 |
| First Majestic Silver Corp | 28,140 | 173,759 | 0.69 |
| Fortuna Silver Mines | 314,118 | 1,431,985 | 5.68 |
| Guyana Goldfields | 384,916 | 1,415,858 | 5.61 |
| Integra Gold Corp (Restricted 03/10/2016) | 805,000 | 271,836 | 1.08 |
| Kennady Diamonds Inc | 194,812 | 459,321 | 1.82 |
| Klondex Mines | 780,000 | 2,925,559 | 11.60 |
| Mandalay Resources | 3,666,964 | 1,746,858 | 6.93 |
| Pilot Gold Inc | 2,316,500 | 621,607 | 2.46 |
| Pretium Resources | 30,000 | 200,259 | 0.79 |
| Roxgold | 1,345,009 | 981,374 | 3.89 |
| Sabina Gold & Silver | 561,297 | 331,698 | 1.32 |
| Santacruz Silver Mining | 2,328,750 | 428,298 | 1.70 |
| Silver Wheaton | 39,917 | 624,384 | 2.48 |
| Tahoe Resources Inc | 168,700 | 1,285,837 | 5.10 |
| Teranga Gold | 507,500 | 250,942 | 1.00 |

# Unaudited Portfolio Statement (continued)
As at 31 December 2016

| Description | Holding | Fair Value £ | % of Total Net Assets |
|---|---|---|---|
| **Equities - continued** | | | |
| **Canada - continued** | | | |
| West African Resources | 90,000 | 11,940 | 0.05 |
| | | 17,610,417 | 69.83 |
| **Mexico** | | | |
| Industrial Penoles | 82,774 | 1,243,271 | 4.93 |
| | | 1,243,271 | 4.93 |
| **United Kingdom** | | | |
| DB Physical Rhodium | 7,904 | 438,755 | 1.74 |
| Sovereign Bauxite of Guinea Ltd * | 100,000 | - | 0.00 |
| | | 438,755 | 1.74 |
| **United States** | | | |
| First Majestic Silver | 145,000 | 895,381 | 3.55 |
| MAG Silver | 35,000 | 312,277 | 1.24 |
| Pretium Resources | 90,278 | 602,829 | 2.39 |
| | | 1,810,487 | 7.18 |
| **Total Equities** | | 28,211,439 | 111.87 |
| **Warrants** | | | |
| American Silver 10/02/2019 *2 | 250,000 | 330,147 | 1.31 |
| American Silver 09/06/2021*2 | 95,689 | - | 0.00 |
| American Silver 16/06/2021*2 | 30,338 | - | 0.00 |
| Condor Gold 10/09/2018 *2 | 277,777 | - | 0.00 |
| Gran Colombia Gold*2 | 7,500 | - | 0.00 |
| Pilot Gold 16/05/2019 | 1,100,000 | 56,381 | 0.22 |
| Santacruz Silver Mining 14/01/2019 *2 | 493,750 | - | 0.00 |
| **Total Warrants** | | 386,528 | 1.53 |
| **Bonds** | | | |
| **Canada** | | | |
| Gran Colombia Gold Corp 6% 02/01/2020 | 781,114 | 513,358 | 2.03 |
| Maya Gold & Silver Conv Debt 8% 28/03/2017 *3 | 500,000 | 241,204 | 0.96 |
| **Total Bonds** | | 754,562 | 2.99 |

## Unaudited Portfolio Statement (continued)
As at 31 December 2016

| Description | Fair Value £ | % of Total Net Assets |
|---|---|---|
| **Total investments** | 29,352,529 | 116.39 |
| Other current assets less payables and accruals | (37,953) | (0.15) |
| Bank overdraft | (4,094,599) | (16.24) |
| **Total Net Assets** | **25,219,977** | **100.00** |

* Level 3 unlisted equities

*2 Level 2 unlisted warrants

*3 Level 2 unlisted bonds

# Management and Administration

**Directors**
Malcolm Burne
Toby Birch
Kaare Foy
Robert King

Details available at – **www.ncim.co.uk**

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

**Secretary and Administrator**
R&H Fund Services (Guernsey) Limited
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 to 3 January 2016**
Nplus 1 Singer Limited
One Bartholomew Lane
London
EC2N 2AX

**Financial Adviser and Broker to the Company from 4 January 2016**
Cantor Fitzgerald Europe L.P.
One Churchill Place
Canary Wharf
London
EH14 5RD

**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.

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

**Independent Auditor to the Company**
BDO Limited
P.O. Box 180
Rue du Pré
St Peter Port
Guernsey
GY1 3LL

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

**Depositary**
INDOS Financial Limited
25 North Row
London
W1K 6DJ

**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**
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

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 23rd May 2017 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 2016.

**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;

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 2018 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
10 April 2017

## 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 19th May 2017. 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

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

## FORM OF PROXY

**For use at the Annual General Meeting of Golden Prospect Precious Metals Limited (the 'Company') to be held on 23rd May 2017 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 23rd May 2017 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 2016. | | | |
| **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. | | | |

# 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**

## SPECIAL BUSINESS

| | For | Against | Abstain |
|---|---|---|---|
| **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; | | | |
| 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 2018 or, if earlier, the date being fifteen months from the date of passing 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. | | | |

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 ______________________________ 2017

# 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**

**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.