

# GOLDEN PROSPECT PRECIOUS METALS LIMITED



Interim Report and Financial Statements  
for the period ended 30 June 2013





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## Chairman's Statement

Dear Shareholder

It has proved a torrid time for late stage gold and silver investors in the six months under review. However as I outlined in my statement at the year end "once the weak holders and short speculators have been fully shaken out, the argument for a renewed upward trend are more solidly in place than ever". This statement was largely based on our view that almost all of the fundamentally bullish factors remained firmly in play.

Gold and silver shares have mirrored the situation well as investors will testify. From the depths of despair when prices reached rock bottom and were technically oversold there has been a significant shift in sentiment that has driven share prices of the majors and quality mid-tier producers into much healthier territory.

Gold bullion has rallied, while silver has done even better climbing off its low. A myriad of technical, delivery, contango, hedging, backwardations and a host of other derivatives comments makes it difficult to fully digest and comment on every aspect of what is going on in this industry. Our Investment Manager's report herein provides more statistical information in this respect. However, whilst all the positive arguments for gold should remain intact going forward, prices will continue to be directed by news events surrounding the current geopolitical turmoil, QE tapering by the Fed and the Eurozone debt crises.

Most of the substantial redemptions, notably by the larger ETF's and other profit takers, has been absorbed by Central bank buying, mainly by China, Russia and India (although the latter has been curtailed by the frequent import duty increases by the Indian Government battling with their deteriorating economy).

Gold's safe haven status has traction once more and a sustained rally is well underway. A further easing of the US dollar and signs of interest rates finally hardening in the continued economic climate will further play into gold's favour. Tighter monetary policies in the US and Europe will keep global gold and investors keen. Currency volatility will be extremely difficult to navigate in the fourth quarter when net long positions could well expand to hitherto levels.

Before 2013 is over we would expect the gold price to test the previous significant level at \$1,525 at which there was a battle royal fought but lost earlier this year. This in our view should lead to a renewed accumulation of gold equities as producer margins re-enter more comfortable zones.

The huge fallout that shook the entire industry earlier in the year will have produced an inquest over management competence and shareholder value as better cash control and dividend payments will be demanded by investors this time round. There will still be pitfalls to trap the unwary in the shape of a paper tsunami out of the bond market, the damage control that this would lead to from the spike in Treasury yields plus the big waves in global sentiment that China periodically creates from its growing pains.

Gold will always be an emotional subject with many bankers and investors, but without any counterparty risk that other financial instruments carry, it still remains the best insurance policy around today. I believe that when serious inflation inevitably kicks in once more the final stage of gold's long term bull market should see gold and silver shares outperforming all other forms of investment and asset classes in quite a spectacular way.

**Malcolm Burne**  
Chairman

## Board Members

### Directors of the Company

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. He is currently a director of several other resources companies in Australia and the UK.

**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 capitalization of more than US\$600 million in 2011. He is currently chairman of Viscount Mining Limited and Polar Star Mining Corporation, and has been heavily involved with silver and gold projects in North America. He also serves as executive chairman for Canadian exploration company Cangold Limited, and worked with Malcolm Burne at the Australian Bullion Company (Pty) Ltd during the 1980s.

**Robert King**, is a non-executive director for a number of open and closed ended investment funds and companies. He was a Director of Cannon Asset Management Limited and their 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.

**Paul Craig**, is a Director of Multi-Manager at Henderson Global Investors. Mr. Craig has over 20 years of investment experience, including 10 years at Exeter Investment Group and 6 years at New Star Asset Management, where Mr. Craig was a Director of the asset management subsidiary. During the past 18 years, Mr. Craig's focus has been multimanager products with an emphasis on closed-end funds. Mr. Craig is an Associate of the UK Society for Investment Professionals.

**John Bowles**. For 40 years Dr. Bowles has been active as an economic geologist and mineralogist specialising in gold and platinum resources. He has worked in University, Government Survey and Industry and is currently Honorary Visitor at the University of Manchester and Director of Mineral Science Ltd, a consultancy specialising in mineral assessment. He has recently published a definitive reference work on the oxide minerals in the DHZ Rock-Forming Minerals series.

## Investment Manager's Report

The first six months of 2013 were not kind to the gold price, which fell 26%, and were particularly harsh on gold mining equities which fared much worse. The XAU Index fell 45% and the GDXJ, the junior miners, 53%. We are firmly of the belief that this was a mid-term retracement in a long-term bull market and that the case for owning precious metals as a store of value, an unencumbered currency or a hedge against inflation is undiminished.

The main driver of gold's weakness in the first half of the year was the redemption of the ETF holdings which lost 22% of their tonnage, and 41% of their value, during the period under review. The pace of redemptions has been greatly reduced since the end of the second quarter, a week that saw year-to-date lows for gold, silver, platinum and all the major gold equity indices, and both gold and silver have already bounced strongly off their mid year lows, gold by 18% and silver by an impressive 32%.

It would appear by the record movement of gold from London vaults to Switzerland (still the largest refiners of gold coins and bar) and onward to Asia, particularly Hong Kong, and the gold previously owned by New York hedge funds has ended up in the hands of Indian and Chinese buyers. Only time will tell if they are 'safer' hands than the previous owners, but that may be the case. Certainly the Indian government's attempt to reduce demand for gold by raising import duties has met with little success so far. The Central banks of the developing world have also been consistent buyers over the period with Russia, Turkey, Korea, and Kazakhstan at the fore, buying 186 tonnes between them.

So where do the first half falls leave the equities? Certainly, in the harsh light of \$1300 gold and \$19 silver, there is a stark contrast between those low cost, well-managed companies able to thrive at such prices and those whose projects are loss-making and whose deposits are un-economic. Our focus remains on those companies with proven management teams such as Regis Resources, Silver Wheaton and First Majestic who sit at the low end of the cost curve. The market's movements have given us an opportunity to use the gearing to upgrade the portfolio and to enter some high quality development and exploration projects which previously traded way above our valuation.

There are challenges ahead for the sector however, not least the need to aggressively manage costs which rose unchecked until last year. In this, the elevated price of oil is a hindrance to all. One positive feature of this year is the World Gold Council's initiative to standardise an "all in sustaining cash cost" metric across the industry. We would welcome this and regard it as vital for the industry to regain investors trust by increasing clarity and transparency.

We believe that we have seen the worst of the gold price this year, and that the fundamental reasons for owning precious metals are still valid. The Company continues to focus on the low cost producers, but the recent price falls offer opportunities amongst the developers and explorers at attractive valuations not recently witnessed. With prices and market sentiment both hitting a low at the end of the period under review, we believe that the balance of risk has at last been skewed to the investor.

**Will Smith**  
New City Investment Managers

## Statement of Comprehensive Income (unaudited)

for the period 1 January 2013 to 30 June 2013

|  | Notes | Revenue<br>£ | Capital<br>£ | 01.01.13<br>to 30.06.13<br>Total<br>£ | 01.01.12<br>to 30.06.12<br>Total<br>£ |
|--|-------|--------------|--------------|---------------------------------------|---------------------------------------|
| <b>Income</b>  |       |              |              |                                       |                                       |
| Income from investments designated at fair value through profit or loss  | 7     | 155,274      | -            | 155,274                               | 167,208                               |
| Interest income for financial assets that are not at fair value through profit or loss: on cash and cash equivalents | 2     | 2,295        | -            | 2,295                                 | 1,625                                 |
|  |       | 157,569      | -            | 157,569                               | 168,860                               |
| Net capital losses on financial assets   | 2,7   | -            | (23,404,893) | (23,404,893)                          | (11,234,644)                          |
| Net (losses) / gains on foreign currency   | 2     | (15,164)     | -            | (15,164)                              | 149,862                               |
| <b>Total income</b>  |       | 142,405      | (23,404,893) | (23,262,488)                          | (10,915,922)                          |
| <b>Expenses</b>  |       |              |              |                                       |                                       |
| Investment management fees   | 5     | (276,456)    | -            | (276,456)                             | (388,510)                             |
| Administration fees  | 5     | (26,972)     | -            | (26,972)                              | (27,606)                              |
| Custodian fees   | 5     | (10,165)     | -            | (10,165)                              | (9,909)                               |
| Directors' fees  | 5     | (39,577)     | -            | (39,577)                              | (39,803)                              |
| Audit fees   |       | (8,599)      | -            | (8,599)                               | (8,207)                               |
| Overdraft Interest   |       | (43,870)     | -            | (43,870)                              | (38,198)                              |
| Directors' insurance costs   |       | (3,297)      | -            | (3,297)                               | (3,827)                               |
| Registrar's fees   |       | (6,513)      | -            | (6,513)                               | (14,522)                              |
| Sponsor fees   |       | (8,827)      | -            | (8,827)                               | (6,977)                               |
| Legal fees   |       | (16,655)     | -            | (16,655)                              | (26,243)                              |
| Printing   |       | (11,082)     | -            | (11,082)                              | (12,382)                              |
| Other expenses   |       | (30,708)     | -            | (30,708)                              | (32,334)                              |
| <b>Total operating expenses</b>  |       | (482,721)    | -            | (482,721)                             | (608,518)                             |
| <b>Operating loss</b>  |       | (340,316)    | (23,404,893) | (23,745,209)                          | (11,524,440)                          |
| Other comprehensive income   |       | -            | -            | -                                     | -                                     |
| <b>Total comprehensive loss for the period</b>   |       | (340,316)    | (23,404,893) | (23,745,209)                          | (11,524,440)                          |
| Basic and diluted loss per Ordinary Share (pence)  | 6     |              |              | (41.66p)                              | (20.22p)                              |

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

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

The notes on pages 9 to 22 form part of these Unaudited Interim Financial Statements.

## Statement of Changes in Equity (unaudited)

For the period from 1 January 2013 to 30 June 2013

|   | Notes  | Share Capital<br>£ | Share Premium<br>£ | Realised Capital Reserve<br>£ | Unrealised Capital Reserve<br>£ | Revenue Reserve<br>£ | Distributable Reserve<br>£ | Total Equity<br>£ |
|---|--------|--------------------|--------------------|-------------------------------|---------------------------------|----------------------|----------------------------|-------------------|
| Balance as at 1 January 2013            |        | 57,002             | -                  | 5,581,638                     | 5,681,476                       | (2,530,460)          | 43,995,733                 | 48,881,138        |
| Total comprehensive loss for the period | 12     | -                  | -                  | (4,768,394)                   | (18,636,499)                    | (340,316)            | -                          | (23,745,209)      |
| Issue of ordinary shares                | 11, 12 | 2                  | 95                 | -                             | -                               | -                    | -                          | 95                |
| Transfer to Distributable Reserve       |        | -                  | (95)               | -                             | -                               | -                    | 95                         | -                 |
| Balance as at 30 June 2013              |        | £57,002            | £-                 | (£3,091,007)                  | (12,955,023)                    | (£2,870,776)         | £43,995,828                | £25,136,024       |

## For the period 1 January 2012 to 30 June 2012

|   |    |         |    |             |              |              |             |             |
|---|----|---------|----|-------------|--------------|--------------|-------------|-------------|
| Balance as at 1 January 2012            |    | 57,000  | -  | 5,581,638   | 7,329,098    | (1,792,251)  | 43,993,327  | 55,168,812  |
| Total comprehensive income              |    |         |    |             |              |              |             |             |
| Total comprehensive loss for the period | 12 | -       | -  | (1,063,020) | (10,171,624) | (289,796)    | -           | 11,524,440  |
| Balance as at 30 June 2012              |    | £57,000 | £- | £4,518,618  | (£2,842,526) | (£2,082,047) | £43,993,327 | £43,644,372 |

The notes on pages 9 to 22 form part of these Unaudited Interim Financial Statements.



## Statement of Financial Position as at 30 June 2013

|   | Notes | (Unaudited)<br>30.06.13<br>£ | (audited)<br>31.12.12<br>£ |
|---|-------|------------------------------|----------------------------|
| <b>Current Assets</b>                                 |       |                              |                            |
| Financial assets at fair value through profit or loss | 7     | 25,166,779                   | 51,005,844                 |
| Cash and cash equivalents                             | 8     | 543,905                      | 5,502,763                  |
| Receivables   | 9     | 27,484                       | 88,192                     |
| <b>Total Assets</b>                                   |       | <b>25,738,168</b>            | <b>56,596,799</b>          |
| <b>Current Liabilities</b>                            |       |                              |                            |
| Payables and accruals                                 | 10    | (63,127)                     | (119,837)                  |
| Bank overdraft  | 8     | (539,017)                    | (7,715,661)                |
| <b>Total Liabilities</b>                              |       | <b>(602,144)</b>             | <b>(7,715,661)</b>         |
| <b>Net Assets</b>                                     |       | <b>£25,136,024</b>           | <b>£48,881,138</b>         |
| <b>Equity</b>   |       |                              |                            |
| Ordinary share capital                                | 11    | 57,002                       | 57,000                     |
| Revenue reserve                                       | 12    | (2,870,776)                  | (2,530,460)                |
| Distributable reserve                                 | 12    | 43,995,828                   | 43,995,733                 |
| Other reserves  | 12    | (16,046,030)                 | 7,358,863                  |
| <b>Total Equity</b>                                   |       | <b>£25,136,024</b>           | <b>£48,881,138</b>         |
| <b>Number of Ordinary Shares in Issue</b>             | 11    | <b>57,001,926</b>            | <b>57,001,852</b>          |
| <b>Net Asset Value per Ordinary Share (pence)</b>     |       | <b>44.10p</b>                | <b>85.75p</b>              |

The Unaudited Interim Financial Statements on pages 5 to 22 were approved by the Board of Directors and signed on 26 September 2013 on its behalf by:

Malcolm Burne

Kaare Foy

The notes on pages 9 to 22 form part of these Unaudited Interim Financial Statements.

## Statement of Cash Flows (unaudited)

for the period from 1 January to 30 June 2013

|  | Notes | 01.01.2013<br>to 30.06.2013<br>£ | 01.01.2012<br>to 30.06.2012<br>£ |
|--|-------|----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                            |       |                                  |                                  |
| Loss for the period  |       | (23,745,209)                     | (11,524,440)                     |
| Adjustment for:  |       |                                  |                                  |
| Loss on financial assets at fair value through profit or loss          |       | 23,404,893                       | 11,234,644                       |
| Net losses on foreign currency   |       | 15,164                           | -                                |
| <b>Operating cash flows before movements in working capital</b>        |       | <b>(325,152)</b>                 | <b>(289,796)</b>                 |
| Decrease in receivables  | 9     | 60,708                           | 11,358                           |
| Decrease in payable and accruals                                       | 10    | 56,710                           | (5,745)                          |
| Purchase of financial assets at fair value                             |       | (11,714,323)                     | (11,982,911)                     |
| Sale of financial assets at fair value                                 |       | 14,148,495                       | 10,682,608                       |
| <b>Net cash used in operating activities</b>                           |       | <b>2,113,018</b>                 | <b>(1,584,486)</b>               |
| <b>Cash flows from financing activities</b>                            |       |                                  |                                  |
| Proceeds from issue of Ordinary Shares                                 | 11&12 | 95                               | -                                |
| <b>Net cash generated from financing activities</b>                    |       | <b>95</b>                        | <b>-</b>                         |
| <b>Net (increase)/decrease in cash and cash equivalents</b>            |       | <b>2,113,113</b>                 | <b>(1,584,486)</b>               |
| Net cash and cash equivalents at beginning of period                   |       | (2,093,061)                      | 232,327                          |
| Effect of foreign exchange rate movements on cash and cash equivalents |       | (15,164)                         | -                                |
| <b>Cash and cash equivalents at end of period</b>                      |       | <b>4,888</b>                     | <b>(1,352,159)</b>               |
| <b>Supplementary cash flow information</b>                             |       |                                  |                                  |
| Net cash used in operating activities include:                         |       | £                                | £                                |
| Interest received on cash balances                                     |       | 2,295                            | 1,652                            |
| Interest paid on cash balances   |       | (43,870)                         | (38,198)                         |
| Income received from securities  |       | 155,274                          | 167,208                          |

The notes on pages 9 to 22 form part of these Unaudited Interim Financial Statements.

# Notes to the Financial Statements

## for the period from 1 January 2013 to 30 June 2013

### 1. Company Information

Golden Prospect Precious Metals Limited ("the Company") was incorporated in Guernsey on 16 October 2006 under the Companies Law (Guernsey) 1994 as a limited liability closed-end investment company. The Company's Ordinary shares are traded on London Stock Exchange SETS QX with the code GPM. The Company's ordinary shares were admitted to the Official List of the Channel Islands Stock Exchange ("CISX") on 24 June 2008. During the period the Company issued 74 (year ended 31 December 2012: 1,852) new Ordinary shares at a value of £95 (2012: £2,406) after issue costs. All of these shares were issued as a result of subscription shareholders wishing to exercise their rights to acquire ordinary shares. For further details see note 11.

### Investment Objective and 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.

### 2. Principal 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:

#### Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations by the International Accounting Standards Board (IASB) as endorsed by the European Union and the additional disclosures required regarding income and capital within the Statement of Comprehensive Income and in accordance with the Investments Trusts Statement of Recommended Practice (SORP) 2009 (Revised).

### Adoption of New and Revised Standards

The accounting policies adopted in the period are consistent with those of the previous financial period with the exception of new standards that have become effective during the period. In the current period, the Company has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as endorsed by the European Union that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2013.

The list below shows the IFRSs, IFRICs and amendments that are mandatory for the first time in this financial reporting period and which may impact the financial statements.

#### *IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g. revaluation of land and buildings). The amendment would affect presentation only, but has had no impact on the Group's financial position or performance as there are currently no items which fall into OCI.

#### *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*

IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has had no impact on the treatment of any investments held by the Company.

## Notes to the Financial Statements for the period from 1 January 2013 to 30 June 2013

### 2. Principal Accounting Policies (continued)

#### Adoption of New and Revised Standards (continued)

##### *IFRS 13 Fair Value Measurement*

IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements carried out by the Company but has resulted in amendments to presentation.

The adoption of these standards and interpretations has not led to any changes in the Company's accounting policies.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company or the interim financial statements.

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

#### 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 32 (amended), "Offsetting Financial Assets and Financial Liabilities" (effective for periods commencing on or after 1 January 2014);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2015);

These standards and interpretations will be adopted when they become effective. The Directors anticipate that, with the exception of IFRS 9 the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Company. The Directors are considering, but have not yet concluded, on what the impact of IFRS 9 will be on the Company's Statement of Financial Position but do not anticipate adopting the standard until the period ending December 2015.

#### Basis of Preparation

The Financial Statements are presented in Sterling which is also the functional currency of the Company as the majority of operating transactions are effected in Sterling. The Financial Statements have been prepared on a historical cost basis except for the measurement of financial assets and financial liabilities at fair value through profit or loss.

The preparation of 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.

#### Financial Assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. The Company's financial assets fall within the following categories:

## Notes to the Financial Statements

### for the period from 1 January 2013 to 30 June 2013

## 2. Principal Accounting Policies (continued)

### Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method, less any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the Statement of Comprehensive Income.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

### 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 its 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*

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

#### *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 not actively traded are carried at cost, which in the Directors opinion is a reasonable estimate of fair value.

#### *Derecognition of financial assets*

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

### 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.

## Notes to the Financial Statements for the period from 1 January 2013 to 30 June 2013

### 2. Principal Accounting Policies (continued)

#### 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 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 method.

#### Derecognition of Financial Liabilities

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

#### Fair Value Measurement Hierarchy

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value. This 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 Company 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.

#### Offsetting Financial Instruments

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.

#### Interest Income and Expense

Interest income and interest expense are recognised within the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the future cash inflows and outflows of a financial instrument through its expected life.

The calculation includes all incidental fees, discounts and transaction costs, these cash flows are integral in calculating the Statement of Comprehensive Income charge. Transaction costs are incremental costs that are directly attributable to the purchase or disposal of a financial instrument.

#### Income

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

#### Expenses

Expenses are accounted for on an accruals basis. Expenses are charged to the Statement of Comprehensive Income as items of a revenue nature. Expenses incurred on the acquisition of investments at fair value through the profit or loss are included in the initial cost of the Investment.

#### Share Issue Expenses

Any share issue expenses will be treated as a deduction from equity in the Statement of Changes in Equity, and written off against the Share Premium Account. During the period there were no such expenses incurred (30 June 2012: \$Nil).

## Notes to the Financial Statements

### for the period from 1 January 2013 to 30 June 2013

## 2. Principal Accounting Policies (continued)

### Capital Reserves

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

### Translation of Foreign Currency

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

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. Translation differences on non-monetary items such as financial assets held at fair value through profit or loss are reported as part of net gains or losses on financial assets through profit or loss 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, which 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 total fair value of the geographical base and the equivalent percentages of the total value of the Company can be found in the portfolio statement on page 23.

### Sales of Investments Awaiting Settlement

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

## 3. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and has paid an annual exemption fee of £600. With effect from 1 January 2008, Guernsey's Corporate Tax changed, however there is no effect on the Company's tax position as a result of this change as the Company continues to register as tax exempt.

## 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 Channel Islands Stock Exchange.

## Notes to the Financial Statements for the period from 1 January 2013 to 30 June 2013

### 5. 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 £16,000 per annum (2012: £16,000). During the period ended 30 June 2013, directors' fees of £39,577 were charged to the Company (30 June 2012 : £39,803) and £20,165 was payable at the period end (31 December 2012: £20,588). All Directors are non-executive.

#### Investment Manager

The Investment Manager, New City Investment, is entitled to an annual management fee, payable monthly in arrears, of 1.5 % of Net Asset Value.

The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. During the period ended 30 June 2013 investment management fees of £276,456 were charged to the Company (30 June 2012: £388,510) and £29,353 was payable at the period end (31 December 2012: £62,741).

The Investment Manager is also entitled to receive an annual Performance Fee equal to 20% of the increase in the Company's Net Asset Value on the last Trading Day of each calendar period, above an annual hurdle for growth of 8% and subject to a high water mark. During the period ended 30 June 2013 no performance fees had accrued to the Investment Manager (31 December 2012: £Nil).

#### Administrator

The Company's administrator is Legis Fund Services Limited (the "Administrator"). In consideration for the services provided by the Administrator under the Administration and Secretarial Agreement, the Administrator is entitled to receive from the Company an annual fee of £55,000 per annum payable monthly in arrears. During the period ended 30 June 2013 administration fees of £26,972 were charged to the Company (30 June 2012: £27,606) and £4,645 was payable at the period end (31 December 2012: £5,097).

### Custodian Fees

The Company's Custodian is Credit Suisse Securities (Europe) Limited. Custodian fees are charged on a trade volume basis. During the period custodian fees of £10,165 were charged to the company (30 June 2012: £9,909) and £1,300 was payable at the period end (31 December 2012: £2,440).

### 6. Basic and Diluted Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the comprehensive loss for the period of £23,745,209 (30 June 2012: loss of £11,524,440) by the weighted average number of Ordinary Shares outstanding during the period. The weighted average number of ordinary shares is 57,001,864 (30 June 2012: 57,000,000). The subscription shares are non dilutive.

### 7. Financial Instruments

Details of the significant accounting policies and methods adopted, 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 financial assets and liabilities by category as defined in IAS 39.



## Notes to the Financial Statements

for the period from 1 January 2013 to 30 June 2013

### 7. Financial Instruments (continued)

#### Categories of Financial Instruments:

|  | Fair Value<br>£ | 30.06.13<br>% of net assets<br>attributable to<br>shareholders |
|--|-----------------|--|
| <b>Financial assets at fair value through profit or loss</b> |                 |  |
| Listed equity securities (Level 1)                           | 24,611,095      | 97.91  |
| Debt securities (Level 2)                                    | 555,684         | 2.21   |
|  | £25,166,779     | 100.12   |
| <b>Cash and cash equivalents and receivables</b>             |                 |  |
| Cash and cash equivalents                                    | 543,905         | 2.16   |
| Receivables  | 27,484          | 0.11   |
|  | £571,389        | 2.27   |
| <b>Financial liabilities at amortised cost</b>               |                 |  |
| Payables and accruals  | (63,127)        | (0.25)   |
| Bank overdraft   | (539,017)       | (2.27)   |
|  | (£602,144)      | (2.39)   |

During the six-month period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

|   | 01.01.13<br>to 30.06.13<br>£ |
|---|------------------------------|
| Realised loss on financial assets<br>designated as at fair value through profit or loss       | (4,768,394)                  |
| Net unrealised loss on financial assets<br>designated as at fair value through profit or loss | (18,636,499)                 |
| <b>Net capital losses on financial assets</b>   | (£23,404,893)                |
| Dividend income and interest on bonds   | 155,274                      |
| Net losses on foreign currency  | (15,164)                     |
| <b>Total net losses on financial assets</b>   | (£23,264,783)                |

#### Categories of Financial Instruments:

|  | Fair Value<br>£ | 31.12.12<br>% of net assets<br>attributable to<br>shareholders |
|--|-----------------|--|
| <b>Financial assets at fair value through profit or loss</b> |                 |  |
| Listed equity securities (Level 1)                           | 50,447,946      | 103.21   |
| Debt securities (Level 2)                                    | 557,898         | 1.14   |
|  | £51,005,844     | 104.35   |

## Notes to the Financial Statements

for the period from 1 January 2013 to 30 June 2013

### 7. Financial Instruments (continued)

#### Categories of Financial Instruments (continued):

|  | Fair Value<br>£     | 31.12.12<br>% of net assets<br>attributable to<br>shareholders |
|--|---------------------|--|
| <b>Cash and cash equivalents and receivables</b> |                     |  |
| Cash and cash equivalents                        | 5,502,763           | 11.26  |
| Receivables                                      | 88,192              | 0.18   |
|  | <b>£5,590,955</b>   | <b>11.44</b>   |
| <b>Financial liabilities at amortised cost</b>   |                     |  |
| Payables and accruals                            | (119,837)           | (0.25)   |
| Bank overdraft                                   | (7,595,824)         | (15.54)  |
|  | <b>(£7,715,661)</b> | <b>(15.79)</b>   |

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

|   | 01.01.12<br>to 30.06.12<br>£ |
|---|------------------------------|
| Realised loss on financial assets<br>designated as at fair value through profit or loss       | (1,063,020)                  |
| Net unrealised loss on financial assets<br>designated as at fair value through profit or loss | (10,171,624)                 |
| <b>Capital net losses on financial assets</b>   | <b>(11,234,644)</b>          |
| Dividend income and interest on bonds   | 167,208                      |
| Net realised gains on foreign currency  | 149,862                      |
| <b>Total net losses on financial assets</b>   | <b>(10,917,574)</b>          |

### 8. Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:

|                | 30.06.2013<br>£ | 31.12.2012<br>£     |
|----------------|-----------------|---------------------|
| Cash at bank   | 543,905         | 5,502,763           |
| Bank overdraft | (539,017)       | (7,595,824)         |
|                | <b>£4,888</b>   | <b>(£2,093,061)</b> |

Overdraft interest is calculated on a daily basis using the one month Libor rate plus 175 basis points and is charged to the client on a monthly basis. In order to satisfy Credit Suisse Securities (Europe) Limited ("CSSEL") of liquidity, a margin requirement is calculated to establish a net equity and cash position that must be maintained as collateral. If the Company falls into deficit then more funds are called. If the margin calls are not met then CSSEL can call in all outstanding funds.

The overdraft interest of £43,870 (Period ended 30 June 2012: £38,198) represents the only gain or loss on financial liabilities measured at amortised cost.

## Notes to the Financial Statements

### for the period from 1 January 2013 to 30 June 2013

#### 9. Receivables

|  | 30.06.2013 | 31.12.2012 |
|--|------------|------------|
|  | £          | £          |
| Dividend income receivable               | 9,305      | 19,805     |
| Bond interest receivable                 | 5,569      | 3,921      |
| Sales of investments awaiting settlement | -          | 56,395     |
| General expenses prepaid                 | 12,610     | 8,071      |
|  | £27,484    | £88,192    |

The Directors consider that the carrying amount of receivables approximate their fair value.

#### 10. Payables and Accruals

|  | 30.06.2013 | 31.12.2012 |
|--|------------|------------|
|  | £          | £          |
| Administration fee payable (Note 5)        | 4,645      | 5,097      |
| Directors' fees payable (Note 5)           | 20,165     | 20,588     |
| Investment management fee payable (Note 5) | 29,353     | 62,741     |
| Bank overdraft interest                    | 914        | 15,470     |
| Audit fee payable                          | 6,750      | 13,501     |
| Custodian fee payable (Note 5)             | 1,300      | 2,440      |
|  | £63,127    | £119,837   |

The Directors consider that the carrying amount of payables approximate their fair value.

#### 11. Share Capital

| Authorised Share Capital as at 30 June 2013 and 31 December 2012 | No. of shares | £        |
|--|---------------|----------|
| Ordinary shares of £0.001 par value                              | 200,000,000   | £200,000 |

Subsequent to the additional placing on 31 October 2011 the Company issued subscription shares for nil consideration to all registered shareholders, by way of the Bonus Issue, on the basis of one Subscription Share for every two existing ordinary shares held on 31 October 2011. No fractions of Subscription shares were issued so the actual number issued was 28,499,974. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary Share at a Subscription price of 130p per Ordinary Share. The Subscription Rights may be exercised quarterly on the last business day in August, November, February or May from May 2012 to November 2014, after which time the Subscription rights will lapse. During the period shareholders have elected to exercise 74 subscription shares (2012: 1,852).

|  | No. of Shares |            | Share capital |        |
|--|---------------|------------|---------------|--------|
|  | 2013          | 2012       | 2013          | 2012   |
| Issued and Fully Paid Share Capital                |               |            | £             | £      |
| <b>Equity Shares</b>                               |               |            |               |        |
| <i>Ordinary Shares of £0.001 each at inception</i> |               |            |               |        |
| As at 1 January                                    | 57,001,852    | 57,000,000 | 57,002        | 57,000 |
| Issued during the period / year                    | 74            | 1,852      | -             | 2      |
| <b>As at 30 June / 31 December</b>                 | 57,001,926    | 57,001,852 | 57,002        | 57,002 |
| <i>Subscription shares of no par value each</i>    |               |            |               |        |
| As at 1 January                                    | 28,498,122    | 28,499,974 | -             | -      |
| Exercised during the period / year                 | (74)          | (1,852)    | -             | -      |
| <b>As at 30 June / 31 December</b>                 | 28,498,048    | 28,498,122 | -             | -      |

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.

## Notes to the Financial Statements

### for the period from 1 January 2013 to 30 June 2013

#### 12. Reserves

|                                   | 01.01.2013<br>£ | Movement<br>£ | 30.06.2013<br>£ |
|-----------------------------------|-----------------|---------------|-----------------|
| Distributable reserve             | 43,995,733      | 95            | 43,995,828      |
| Realised capital reserve          | 1,677,387       | (4,768,394)   | 3,091,007       |
| Unrealised capital reserve        | 5,681,476       | (18,636,499)  | (12,955,023)    |
| Comprehensive loss for the period | (2,530,460)     | (340,316)     | (2,870,776)     |
|                                   | £48,824,136     | (£23,745,114) | £25,079,022     |

  

|                                 | 01.01.2012<br>£ | Movement<br>£ | 31.12.2012<br>£ |
|---------------------------------|-----------------|---------------|-----------------|
| Distributable reserve           | 43,993,327      | 2,406         | 43,995,733      |
| Realised capital reserve        | 5,581,638       | (3,904,251)   | 1,677,387       |
| Unrealised capital reserve      | 7,329,098       | (1,647,622)   | 5,681,476       |
| Comprehensive loss for the year | (1,792,251)     | (738,209)     | (2,530,460)     |
|                                 | £55,111,812     | (£6,287,676)  | £48,824,136     |

#### Distributable Reserve

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

#### Realised Capital Reserve and Unrealised Capital Reserve

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

#### Revenue Reserves

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

### 13. Financial Risk Management

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

#### Credit Risk

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

As at the date of the Statement of Financial Position, financial assets exposed to credit risk comprise debt instruments as disclosed in Note 7 as well as bank balances and receivables.

It is in the opinion of the Board of Directors that the carrying amount of these financial assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

CSSEL as Custodian has a fixed charge on all cash held by Credit Suisse, and all 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 period end the Company had an significant excess over this margin requirement. Should there be a deficit at any point CSSEL is entitled to call in all outstanding funds.

As at 30 June 2013 there were no financial assets which were past due or impaired (31 December 2012: None).

The Board of Directors are satisfied that the Company's transactions are concluded with a suitably approved counterparty with an appropriate credit quality, CSSEL has a Standard and Poor's credit rating of A / A1. The Company's exposure to this counterparty, and its credit rating, is continuously monitored by management. The following table illustrates the credit concentration by institution:

## Notes to the Financial Statements

for the period from 1 January 2013 to 30 June 2013

### 13. Financial Risk Management (continued)

|   | 30.06.2013<br>£ | 31.12.2012<br>£   |
|---|-----------------|-------------------|
| <b>Cash and cash equivalents:</b>         |                 |                   |
| Credit Suisse Securities (Europe) Limited | 543,905         | 5,502,763         |
| Receivables                               | 14,874          | 80,121            |
| <b>Total assets at credit risk</b>        | <b>£558,779</b> | <b>£5,582,884</b> |

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

|                                      | Less than<br>1 month<br>£ | 1-3 months<br>£   | 3 months<br>to 1 year<br>£ | 1 year to<br>5 years<br>£ | 30.06.13<br>Total<br>£ |
|--------------------------------------|---------------------------|-------------------|----------------------------|---------------------------|------------------------|
| <b>Gross settled</b>                 |                           |                   |                            |                           |                        |
| Bank overdraft                       | -                         | 539,017           |                            | -                         | 539,017                |
| Bank overdraft interest              | 914                       | -                 | -                          | -                         | 914                    |
| Investment management<br>fee payable | 29,353                    | -                 | -                          | -                         | 29,353                 |
| Administration fee payable           | 4,645                     | -                 | -                          | -                         | 4,645                  |
| Directors' fees payable              | 20,165                    | -                 | -                          | -                         | 20,165                 |
| Audit fee payable                    | -                         | -                 | 6,750                      | -                         | 6,750                  |
| Custodian fee payable                | 1,300                     | -                 | -                          | -                         | 1,300                  |
|                                      | <b>£56,377</b>            | <b>£539,017</b>   | <b>£6,750</b>              | <b>£-</b>                 | <b>£602,144</b>        |
|                                      | Less than<br>1 month<br>£ | 1-3 months<br>£   | 3 months<br>to 1 year<br>£ | 1 year to<br>5 years<br>£ | 31.12.12<br>Total<br>£ |
| <b>Gross settled</b>                 |                           |                   |                            |                           |                        |
| Bank overdraft                       | -                         | 7,595,824         |                            | -                         | 7,595,824              |
| Bank overdraft interest              | 15,470                    | -                 | -                          | -                         | 15,470                 |
| Investment management<br>fee payable | 62,741                    | -                 | -                          | -                         | 62,741                 |
| Administration fee payable           | 5,097                     | -                 | -                          | -                         | 5,097                  |
| Directors' fees payable              | 20,588                    | -                 | -                          | -                         | 20,588                 |
| Audit fee payable                    | -                         | -                 | 13,501                     | -                         | 13,501                 |
| Custodian fee payable                | 2,440                     | -                 | -                          | -                         | 2,440                  |
|                                      | <b>£106,336</b>           | <b>£7,595,824</b> | <b>£13,501</b>             | <b>£-</b>                 | <b>£7,715,661</b>      |

## Notes to the Financial Statements for the period from 1 January 2013 to 30 June 2013

### 13. Financial Risk Management (continued)

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

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 ratio within 30% of NAV.

#### 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 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 involves 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 geopolitical 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 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 £1,258,339 (31 December 2012: £2,550,292) to a 5% increase or decrease in the market prices with other variables being held constant as at 30 June 2013. A 5% change is the sensitivity rate used when reporting price risk internally to key management personnel.

#### Interest Rate Risk

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

The Company is exposed to interest rate risk as it has cash and cash equivalents which are invested at short term rates and debt securities which receive interest at a fixed rate. The Investment Manager manages the Company's exposure to interest rate risk on a daily basis in accordance with the Company's investment objective and policies. The Company's overall exposure to interest rate risk is monitored on a quarterly basis by the Board of Directors.

Returns from debt securities are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequentially, 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 to 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.

#### Interest Rate Sensitivity

The sensitivity analysis below 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.

## Notes to the Financial Statements

### for the period from 1 January 2013 to 30 June 2013

## 13. Financial Risk Management (Continued)

### Interest Rate Sensitivity (continued)

If interest rates had been 25 basis points higher or lower and all other variables had been held constant, the Company's net assets attributable to holders of Ordinary Shares for the period to 30 June 2013 would have been £12,623 (31 December 2012: £23,080) higher or lower due to the change in the interest payable on the bank loan and the interest receivable on cash and cash equivalents.

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign

currency exchange rates. The presentation currency of the Company is Sterling. The 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. The Investment Manager's treatment of currency transactions is set out in Note 2 to the Financial Statements under "Translation of foreign currency". There were no hedging instruments held at 30 June 2013 (31 December 2012: None).

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

|                            | 30.06.2013  |                  | 31.12.2012  |                  |
|----------------------------|-------------|------------------|-------------|------------------|
|                            | Assets<br>£ | Liabilities<br>£ | Assets<br>£ | Liabilities<br>£ |
| Australian Dollar (AUD)    | 4,112,099   | -                | 12,454,890  | -                |
| Canadian Dollar (CAD)      | 15,185,513  | -                | 34,132,071  | -                |
| United States Dollar (USD) | 3,315,915   | -                | 4,883,866   | -                |
|                            | 22,613,527  | -                | 51,470,827  | -                |

### Foreign Currency Sensitivity

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

The following table details the Company's sensitivity to a 5% increase or decrease in Sterling against the relevant foreign currencies. A 5% change is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis

includes only outstanding foreign currency denominated financial assets and financial liabilities and adjusts their translation at the period end for a 5% change in 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<br>£  | CAD<br>£             | 30.06.2013<br>USD<br>£   |
|--|---|----------------------|--------------------------|
|  | Change in net assets in response to a 5% change in foreign currency rates | 216,426<br>(195,814) | 799,237<br>(723,120)     |
|  | AUD<br>£  | CAD<br>£             | 31.12.2012<br>USD<br>£   |
|  | Change in net assets in response to a 5% change in foreign currency rates | 655,521<br>(593,090) | 1,796,425<br>(1,625,337) |

## Notes to the Financial Statements for the period from 1 January 2013 to 30 June 2013

### 13. Financial Risk Management (Continued)

#### Capital Management

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

The capital structure of the Company consists of net debt, as disclosed in note 8 and equity as per notes 11 and 12.

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

### 14. Contingent Liabilities

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

### 15. Subsequent Events

There are no subsequent events.

### 16. Controlling Party

The issued 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

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|                                  |            |
|----------------------------------|------------|
| Net Asset Value 28 June 2013     | 25,136,024 |
| Number of shares in issue        | 57,001,926 |
| Audited accounting NAV per share | 44.10p     |
| Issued NAV per share             | 44.63p     |

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The difference in NAV price per share relates to the pricing of the Portfolio valued at mid prices for valuation purposes and bid prices for accounting purposes under IFRS.



## Portfolio Statement

### As at 30 June 2013

| Description                 | Holding   | Fair Value<br>£ | % of Total<br>Net Assets |
|-----------------------------|-----------|-----------------|--------------------------|
| <b>Equities</b>             |           |                 |                          |
| <b>Australia</b>            |           |                 |                          |
| Ausgold Ltd                 | 2,250,000 | 22,981          | 0.09%                    |
| Gascoyne Resources          | 1,200,000 | 115,354         | 0.46%                    |
| Lachlan Star Ltd            | 600,000   | 43,258          | 0.17%                    |
| Regis Resources Ltd         | 1,500,000 | 2,541,395       | 10.11%                   |
| Resolute Mining Ltd         | 3,500,000 | 1,240,658       | 4.94%                    |
|                             |           | 3,963,646       | 15.77%                   |
| <b>Canada</b>               |           |                 |                          |
| Atico Mining Corp           | 350,000   | 120,434         | 0.48%                    |
| Brazil Resources Inc        | 500,000   | 247,124         | 0.98%                    |
| Castle Mountain Mining Corp | 799,500   | 125,048         | 0.50%                    |
| Endeavour Mining Corp       | 1,835,000 | 596,975         | 2.37%                    |
| First Majestic Silver Corp  | 275,000   | 1,883,926       | 7.49%                    |
| Franco-Nevada Corp          | 32,500    | 763,909         | 3.04%                    |
| Mandalay Resources          | 500,000   | 212,714         | 0.85%                    |
| New Gold Inc                | 125,000   | 525,528         | 2.09%                    |
| Perseus Mining Ltd          | 1,210,000 | 348,225         | 1.39%                    |
| Pilot Gold Corp             | 275,000   | 135,918         | 0.54%                    |
| Polar Star Mining Corp      | 2,347,500 | 139,523         | 0.56%                    |
| Rio Alto Mining Ltd         | 379,300   | 460,364         | 1.83%                    |
| Royal Canadian Mint         | 51,800    | 446,563         | 1.78%                    |
| Santacruz Silver Mining Ltd | 750,000   | 464,530         | 1.85%                    |
| Semafo Inc                  | 300,000   | 289,041         | 1.15%                    |
| Silver Wheaton Corp         | 250,000   | 3,223,554       | 12.82%                   |
| Tahoe Resources Inc         | 100,000   | 918,424         | 3.64%                    |
| Timmins Gold Corp           | 1,250,000 | 1,798,684       | 7.16%                    |
| Yamana Gold Inc             | 255,000   | 1,593,759       | 6.34%                    |
|                             |           | 14,294,243      | 56.86%                   |

## Portfolio Statement (continued)

As at 30 June 2013

| Equities                                      | Holding   | Fair Value<br>£    | % of Total<br>Net Assets |
|---|-----------|--------------------|--------------------------|
| <b>United Kingdom</b>                         |           |                    |                          |
| EFTS Phys Platinum                            | 20,000    | 1,693,757          | 6.74%                    |
| Fresnillo Plc                                 | 150,000   | 1,320,000          | 5.25%                    |
| Sovereign Mines of Africa                     | 4,170,000 | 83,400             | 0.33%                    |
|   |           | 3,097,157          | 12.32%                   |
| <b>United States</b>                          |           |                    |                          |
| Aquarius Platinum Limited                     | 464,154   | 183,341            | 0.73%                    |
| Royal Gold Inc                                | 45,000    | 1,247,102          | 4.96%                    |
| SPDR Gold Trust                               | 20,000    | 1,568,361          | 6.24%                    |
| ZKB Gold                                      | 325       | 255,300            | 1.02%                    |
|   |           | 3,254,104          | 12.95%                   |
| <b>Total Equities</b>                         |           | <b>24,609,150</b>  | <b>97.90%</b>            |
| <b>Warrants</b>                               |           |                    |                          |
| Aziana Ltd CW13                               | 500,000   | 1,202              | 0.00%                    |
| Kinross Gold Corp                             | 13,750    | 602                | 0.00%                    |
| Gran Colombia Gold Corp                       | 15,000    | 141                | 0.00%                    |
| African MI EQW 01 Jan 00                      | 2,500,000 | -                  | 0.00%                    |
| Aureus Mng Wts                                | 187,500   | -                  | 0.00%                    |
| Gran Columbia Gold                            | 7,500     | -                  | 0.00%                    |
| Huldra SLV WQ 14 7 13                         | 238,095   | -                  | 0.00%                    |
| Pan Am EQW 12 Jul 01                          | 20,000    | -                  | 0.00%                    |
| Robex Res EQW 15 9 13                         | 1,087,500 | -                  | 0.00%                    |
| Rockridge War 21 Mar 13                       | 800,000   | -                  | 0.00%                    |
| Sovereign Bauxite of Guinea Limited           | 100,000   | -                  | 0.00%                    |
| Sovereign Mines of Africa plc                 | 500,000   | -                  | 0.00%                    |
| <b>Total Warrants</b>                         |           | <b>1,945</b>       | <b>0.00%</b>             |
| <b>Bonds</b>                                  |           |                    |                          |
| <b>Canada</b>                                 |           |                    |                          |
| Gran Colombia Gold Corp 10% 31 Oct 2017       | 750,000   | 493,941            | 1.97%                    |
| <b>United States</b>                          |           |                    |                          |
| Afna Resources Ltd 10% 31 Dec 2013            | 93,750    | 61,743             | 0.25%                    |
| <b>Total Bonds</b>                            |           | <b>555,684</b>     | <b>2.22%</b>             |
| <b>Total Investments</b>                      |           | <b>25,166,779</b>  | <b>100.12%</b>           |
| Other current assets less current liabilities |           | (30,755)           | (0.12%)                  |
| <b>Total Net Assets</b>                       |           | <b>£25,136,024</b> | <b>100.00%</b>           |

## GOLDEN PROSPECT PRECIOUS METALS LIMITED

### Directors

Malcolm Alec Burne  
Kaare Glenne Foy  
Robert Paul King  
John Bowles  
Paul Craig  
*all of*  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

### Secretary, Administrator and CISX Sponsor

Legis Fund Services Limited  
11 New Street  
St Peter Port  
Guernsey  
GY1 2PF

### Financial Adviser and Broker to the Company

Nplus 1 Singer Limited  
One Bartholomew Lane  
London  
EC2N 2AX

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

### Investment Manager

CQS Cayman Limited Partnership  
PO. Box 242  
45 Market Street  
Gardenia  
Camana Bay  
Grand Cayman  
Cayman Islands

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

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

### Auditor to the Company

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

### Custodian and Principal Bankers

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

### Advocates to the Company as to Guernsey Law

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

### Solicitors to the Company as to English Law

Lawrence Graham LLP  
4 More London Riverside  
London  
SE1 2AU

### Registrar and CREST Agent

Capita Registrars (Guernsey) Limited  
Mont Crevelt House  
Bulwer Avenue  
St. Sampson  
Guernsey  
GY2 4LH

### 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**

11 New Street  
St. Peter Port  
Guernsey, GY1 2PF  
Channel Islands

Tel: +44 (0)1481 726034  
Fax: +44 (0)1481 726029

[www.ncim.co.uk](http://www.ncim.co.uk)



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