

Golden Prospect Precious Metals Limited

Interim Report and Financial Statements

for the period ended 30 June 2020

Contents	Page
Chairman's Statement	2
Board Members	4
Investment Manager's Report	5
Financial Statements	
Unaudited Interim Statement of Comprehensive Income	7
Unaudited Interim Statement of Changes in Equity	8
Unaudited Interim Statement of Financial Position	9
Unaudited Interim Statement of Cash Flows	10
Notes to the Unaudited Interim Financial Statements	11
Portfolio Statement	29
Management and Administration	32

Chairman's Statement

For the period ended 30 June 2020

I am very pleased to report continued substantial progress with your unique fund. The substantial gains in both the net asset value ("**NAV**") and the funds share price that we reviewed in our last financial statements have increased materially with a year to date appreciation of 54% in the NAV and 64.4% in the six months to the end of June 2020. A growing retail share register and more financial media coverage of the fund look set to continue over the coming months and into next year.

The majority of shareholders will have no doubt grasped most of the salient issues causing the long awaited globally wide interest in precious metals which has been very welcome and satisfying to steadfast believers in the merits of holding a significant amount of Gold and Silver in their portfolios. Hordes of new buyers of both the yellow metal and the mining equities are increasingly recognising the pure insurance argument about the protection Gold affords in such incredibly challenging and uncertain times.

In our managers' report there is more in depth factors analysis on the impacts influencing our sector including the COVID-19 pandemic, the US dollar, money printing, negative rates, inflation, geopolitics, US election, Exchange Traded Fund (ETF) and Central Bank buying, India and China consumer retail volatility and other current factors driving this Gold and Silver bull market.

I personally believe one of the most compelling of all is the arrival onto this fascinating scene of one the biggest and certainly the most well-known investors in the world today, that being Warren Buffett who has through his well published regular commentary, often put a damper on the case for Gold. Now he seems to be a big believer as he has invested more than half billion dollars into Barrick Gold, the world's second largest Goldminer. At the same time the largest hedge fund in the world, Bridgewater run by flamboyant media commentator Ray Dalio recently published a highly and extensive bullish report on Gold. They point out that we are now in a world where politicians and central bankers are under much pressure to print and spend money and that this time round Gold could outperform all other past Gold bull markets.

Large traditional institutions are also climbing aboard. In August for example the \$16bn Ohio police and fire pension fund approved a 5% allocation to Gold to "help diversify its portfolio and hedge against the risk of inflation". More and more big international investment and commercial banks have been buying as have the bosses of the big mining companies. Now tech is joining the bandwagon with Amazon launching a new digital Gold app in August and others such as Google and Alibaba-backed Paytm.

Next it is suggested that the millions of younger new investors on free trading platforms, like Robinhood.com in the US, will begin buying into Gold and other precious metals equities. They have been a driving force bidding up big tech this year and only a small rotation into the Gold sector should have a significant impact as Gold becomes a mainstream asset.

In China it's a similar story with consumers turning to new ways to buy with two new ETF's launched in August. Statistics reveal that the Chinese Gold ETF market is still only 3% the size of that of the US. This will trigger a further debate for another time about peak Gold and whether demand will outstrip supply forcing up prices considerably further.

The Covid-19 pandemic and the political and financial response to it has at last convinced new institutional investors, wealth managers, family offices and sovereign funds that Gold and to a lesser extent Silver must be part of their portfolios.

There will inevitably be plenty of pull back corrections going forward as Gold bull markets always climb a wall of worry and periods of fatigue and profit taking set in. However, on balance I believe we have reached a new paradigm for Gold and I will continue to add to my own personal shareholding in the fund.

Chairman's Statement

For the period ended 30 June 2020

Which brings me finally to the question of our outstanding subscription shares which give the right to purchase shares at 46.14 pence at 30th November 2020, the final date on which these terms are available. I suggest shareholders check to see whether they still hold the subscription shares and decide whether they want to own additional ordinary shares via conversion or sell their subscription shares in the market prior to the expiry date.

Against the backcloth I have painted above I shall personally be taking up my full entitlement without hesitation.

Malcolm Burne
Chairman

Board Members

For the period ended 30 June 2020

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

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

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

Robert King, is a non-executive director of a number of open and closed ended investment funds and companies including Tufton Oceanic Assets Limited, Weiss Korea Opportunities Fund Ltd and CIP Merchant Capital Limited. He was a director of Cannon Asset Management Limited and its associated companies from October 2007 to February 2011. Prior to this, he was a Director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. Rob is British and resident in Guernsey.

Toby Birch, is an investment manager. Prior to founding Guernsey Gold (which merged with Bullionrock in 2014) he was the senior investment manager at the local branch of Bank Julius Baer. He then worked for Blackfish Capital Holdings, the private investment arm of a single-family office where he was lead manager of the Blackfish Capital Exodus Fund, trading in precious metals and commodities. He was also a director of the Blackfish-Investec Resources Special Situations Fund, investing in mining companies. Toby is a Chartered Wealth Manager and Fellow of the Chartered Institute for Securities and Investments. He is a regular speaker on the conference circuit covering financial megatrends, precious metals and monetary reform. He holds the HSK2 level proficiency test in Mandarin.

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

Investment Manager's Report

For the period ended 30 June 2020

The Fund has performed well during 2020. The NAV registered a 54% gain over the first 6 months and continued strong momentum has seen further improvement, with a year-to-date increase of 84% as at 15 October 2020. The overriding driver to this has been the impact of and response to Covid-19 on the global economy. After an initial sharp sell-off, as markets reacted in synchronised fashion to the economic shock of lockdowns, Gold and latterly Silver have benefitted, receiving strong support from unprecedented government spending to fund fiscal stimulus and a coordinated reduction in global real interest rates, as both demand and inflation expectations fell. At the time of writing, Gold and Silver prices have risen over 28% and 50% respectively year to date ("YTD").

The outlook for precious metals remains attractive. Central banks have signalled their intent to maintain loose policy bias, underlined by the US FED's outlook that it will maintain a period of low rates even if inflation exceeds its targeted 2% as the economy reopens post COVID-19. Meanwhile, government borrowing needs, to fund stimulus spending, continues to march upwards. In the US, the Congressional Budget Office has flagged that this year's expected \$3.3trn deficit will be the largest budget deficit since WWII, measured as a percentage of the economy, with Federal borrowing set to exceed the value of the economy. US borrowing requirements may rise further with both Democrat and Republican parties seeking to outspend each other as US elections approach. Similarly, in the UK the Office for National Statistics shows government budget deficit this year is on course to top records having already pushed borrowing above £2trn, in excess of GDP.

Latterly, hopes of a vaccine which could provide a more sustainable and longer-term economic recovery, have prompted a modest pull-back in Gold. Having touched a new nominal high of \$2,076/oz in early August, the price has declined approximately 5% largely the result of a large drop one-day after the Russian government announced approval for vaccine developed by the state-supported Gamaleya Research Institute. However, high efficacy drugs may still take time to become widely available and in the meantime the impact of lockdowns on already weakened economies, may be more permanent.

Falling yields favours Gold ownership

A decline in the average yield on government debt, which for US 10yr treasuries has dropped to around 0.7%, from 1.9% in December, has reduced borrowing costs and done little to impede government bond issuance. However, with inflation remaining subdued, at 1.3% in the US, real rates have shifted into negative territory and questions are now being raised as to whether returns offered by government securities are appropriate. As a result, investor opinion is progressively tilting in favour allocating more funds into real assets, especially under-owned Gold, and away from increasingly indebted government backed paper, be it bonds or indeed fiat currency.

Investment buying has been extremely strong, evidenced by Gold holdings of the physically backed ETF's which currently stand near all-time highs of 109Moz. The top ETFs monitored by Bloomberg have purchased nearly 27Moz offsetting a collapse in jewellery sales since March, as lockdowns prevented retail purchasing. Investment buying will remain important to the direction of Gold prices with consumer behaviour likely to be restrained following the sharp rise in prices, particularly in high demand regions such as India and Turkey where prices have risen 32% and 62% respectively in local currency terms.

Geopolitical risks compound woes

In a year of US elections and China's 14th five-year plan geopolitical risks have perhaps predictably increased, compounding market uncertainty and boosting sentiment towards precious metals. In addition to China's political attrition with the US, its relations with the wider international community soured as the Peoples Republic revised laws in the former colony of Hong Kong, realigning them with those of the mainland, a move which was condemned as an infringement of rights. US led renegotiation of other trade terms such as NAFTA have also affected the economic outlook for regions such as Mexico, whose currency has weakened over 10% versus the US dollar since the beginning of the year. Elsewhere the switch in strategy by the OPEC+ alliance to quell rising US crude exports and defend market share has also disturbed the status quo and investor risk appetite. Closer to home, Brexit

Investment Manager's Report

For the period ended 30 June 2020

rhetoric has also hardened concerns over the outlook for sterling and providing further good reason for UK investors to increase investment allocations towards Gold.

Performance and Positioning

During the late March market panic, which saw the GDXJ and GDX closing at 18% and 9% discounts to their respective NAV's, the Fund was able to increase exposure to precious metal equities. Of note the Fund participated in the IPO of Emerald Resources, added back to holdings in Latin American producers Fortuna Gold and Silver, First Majestic Silver and Americas Gold & Silver. Some new positions were also introduced in equities with significant GDX and GDXJ exposure such as B2Gold, which appeared oversold. Latterly, the Fund has reduced some large positions such as Silver Lake which had rerated significantly, rotating proceeds into laggard performers such as Westgold.

Outside the obvious benefit from the higher Gold price a combination of factors has helped drive the strong NAV performance over the year. Most notable has been the contribution from ASX-listed West African Resources which has transitioned from developer into producer. Delivering its mine on time and within budget and also benefitting from the increase in market cap and liquidity, the share price has increased 165% YTD, or 184% in sterling terms with the Van Eck ETF's doubling their holding since March. Though still attractively valued the Fund has nevertheless reduced its shareholding to manage concentration risk. Developer Pure Gold has also made a strong contribution to performance with the share price more than doubling YTD. Sector M&A has also picked-up, with a focus on smaller-mid cap companies. The opportunistic takeover of Continental Gold was followed by a contested approach for West African developer, Cardinal Resources, providing another useful boost.

The Fund holds a large 26% weighting in Silver miners and developers. This large position has a two-fold benefit; firstly, if Gold continues to move upward we would expect an outsized move in Silver; and secondly with around 50% of demand arising from industrial sectors, primarily electronics, we believe the demand outlook could benefit from government stimulus, even in a softer precious metal environment. Indeed, the "green" economic stimulus package provided by the EU will involve significant investment in the solar industry, a key source of demand for Silver which is used in photovoltaic cells. The roll-out of new technologies such as 5G may also add incremental demand for the metal.

With valuations of smaller capitalised precious metal equities continuing to look more attractive than their larger cap peers despite some recent catch-up and a focus projects that can weather potential market volatility, as witnessed this year, we believe the Fund is well positioned for a widening investor base. We look forward to the opportunity to grow the Fund.

New City Investment Managers

20 October 2020

Unaudited Statement of Comprehensive Income

For the period ended 30 June 2020

	Notes	Revenue £	Capital £	Period to June 2020 Total £	Period to June 2019 Total £
Income					
Income from investments held at fair value through profit or loss		11,047	-	11,047	9,255
Net capital gains on investments held at fair value through profit or loss	7	-	12,738,212	12,738,212	4,717,368
Net Income		11,047	12,738,212	12,749,259	4,726,623
Expenses					
Investment management fee	5	(147,336)	-	(147,336)	(99,788)
Exchange loss		-	(13,737)	(13,737)	(10,787)
Administration fee	5	(40,337)	-	(40,337)	(33,567)
Custodian fee	5	(6,169)	-	(6,169)	(3,851)
Directors' fee	5	(32,000)	-	(32,000)	(32,000)
Audit fee		(11,437)	-	(11,437)	(11,405)
Directors' insurance costs		(1,949)	-	(1,949)	(1,910)
Registrar's fee	5	(9,406)	-	(9,406)	(8,865)
Stock exchange fee		(7,289)	-	(7,289)	(14,581)
Legal and professional fees		(7,815)	-	(7,815)	(13,930)
Financial advisers fee	5	(9,984)	-	(9,984)	(14,717)
Depository fee	5	(8,400)	-	(8,400)	(8,400)
Other expenses		(395)	-	(395)	(1,384)
Total operating expenses		(282,517)	(13,737)	(296,254)	(255,185)
Net gain/(loss) on ordinary activities before finance costs and taxation		(271,470)	12,724,475	12,453,005	4,471,438
Finance cost					
Finance income		63	-	63	13,161
Overdraft interest	8	(10,209)	-	(10,209)	(25,291)
Net gain/(loss) on ordinary activities before taxation		(281,616)	12,724,475	12,442,859	4,459,308
Taxation		(2,712)	-	(2,712)	(1,111)
Total comprehensive gain/(loss) for the period		(284,328)	12,724,475	12,440,147	4,458,197
Basic earnings per Ordinary share (pence)	6			21.81	7.82
Diluted earnings per Ordinary share (pence)	6			14.55	7.82

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

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

Unaudited Statement of Changes in Equity

For the period ended 30 June 2020

	Share Capital £	Revenue Reserve £	Distributable Reserve £	Realised Capital Reserve £	Unrealised Capital Reserve £	Total Equity £
Balance as at 1 January 2020	57,029	(6,257,818)	43,914,233	(13,648,424)	(1,044,518)	23,020,502
Total comprehensive (loss)/income for the period	-	(284,328)	-	(111,908)	12,836,383	12,440,147
Transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2020	57,029	(6,542,146)	43,914,233	(13,760,332)	11,791,865	35,460,649
For the period to 30 June 2019						
Balance as at 1 January 2019	57,014	(5,744,249)	43,907,914	(15,114,884)	(9,089,671)	14,016,124
Total comprehensive (loss)/income for the period	-	(259,171)	-	307,608	4,409,760	4,458,197
Transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2019	57,014	(6,003,420)	43,907,914	(14,807,276)	(4,679,911)	18,474,321

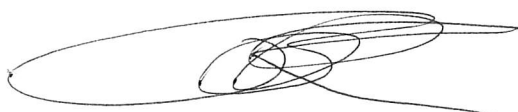
The notes on pages 11 to 28 form an integral part of these Unaudited Financial Statements

Unaudited Statement of Financial Position

As at 30 June 2020

	Notes	(Unaudited) 30 June 2020 £	(Audited) 31 December 2019 £
Non-current Assets			
Investments at fair value through profit or loss	7	37,996,354	23,372,776
Current Assets			
Cash and cash equivalents	8	351,368	36,873
Other receivables	9	375,726	264,965
Total Assets		<u>38,723,448</u>	<u>23,674,614</u>
Current Liabilities			
Other payables and accruals	10	(390,158)	(88,392)
Bank overdraft	8	(2,872,641)	(565,720)
Total Liabilities		<u>(3,262,799)</u>	<u>(654,112)</u>
Net Assets		<u>35,460,649</u>	<u>23,020,502</u>
Equity			
Share Capital	11	57,029	57,029
Revenue reserve	12	(6,542,146)	(6,257,818)
Distributable reserve	12	43,914,233	43,914,233
Realised capital reserve	12	(13,760,332)	(13,648,424)
Unrealised capital reserve	12	11,791,865	(1,044,518)
Total Equity		<u>35,460,649</u>	<u>23,020,502</u>
Number of Ordinary Shares in issue	11	<u>57,029,305</u>	<u>57,029,305</u>
Net Asset Value per Ordinary Share (pence)	16	<u>62.18</u>	<u>40.37</u>

The Financial Statements on pages 7 to 28 were approved by the Board of Directors and authorised for issue and signed on 20 October 2020 on its behalf by:



Robert King



Toby Birch

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

Unaudited Interim Statement of Cash Flows

For the period ended 30 June 2020

	Notes	Period to 30 June 2020 £	Period to 30 June 2019 £
Cash flows from operating activities			
Net gains on ordinary activities for the period		12,440,147	4,458,197
Adjustment for:			
Net capital (gains)/loss on investments held at fair value through profit or loss		<u>(12,738,212)</u>	<u>(4,717,368)</u>
Operating cash flows before movement in working capital		<u>(298,065)</u>	<u>(259,171)</u>
(Increase)/decrease in receivables		(110,761)	(2,950)
Increase/(decrease) in payables and accruals		301,766	297,514
Purchase of investments	7	(6,912,865)	(1,570,437)
Proceeds from sale of investments	7	<u>5,027,499</u>	<u>2,049,559</u>
Net cash inflow from operating activities		<u>(1,992,426)</u>	<u>514,515</u>
Decrease in cash and cash equivalents		(1,992,426)	514,515
Cash and cash equivalents at beginning of period	8	<u>(528,847)</u>	<u>(1,487,582)</u>
Cash and cash equivalents at period end	8	<u>(2,521,273)</u>	<u>(973,067)</u>
Cash & cash equivalents at the end of the period:			
Cash and cash equivalents		351,368	377,194
Bank overdraft		<u>(2,872,641)</u>	<u>(1,350,261)</u>
		<u>(2,521,273)</u>	<u>(973,067)</u>
Supplementary cash flow information			
Net cash (used in)/generated from operating activities include:		£	£
Interest received on cash balances		63	13,161
Interest paid on cash balances		(10,209)	(37,708)
Income received from investments		<u>11,047</u>	<u>9,255</u>

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

1. COMPANY INFORMATION

Golden Prospect Precious Metals Limited (the 'Company') was incorporated in Guernsey on 16 October 2006 as an authorised closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. The Company's registered office is shown on page 32.

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

The Company's Ordinary Shares were admitted to the Official List of the Channel Islands Stock Exchange which subsequently transferred to The Channel Islands Securities Exchange Limited on 24 June 2008. The Channel Islands Securities Exchange rebranded to The International Securities Exchange ('TISE') on 6 March 2017.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

Going concern

In assessing the going concern basis of accounting, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

Since the year end the impact of COVID-19 pandemic has caused extensive disruptions to businesses and economic activities globally. The fair value of the Company's investments has significantly increased since the year end as detailed in the Investment Manager's Report. The Directors reviewed the Company's collateral position. The Company holds an excess of £21,780,578.78 over the margin requirement as at the date of signing these financial statements and therefore the Directors consider that the Company will be able to meet its liabilities as they fall due.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

Accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Accounting judgements and estimates

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

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

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 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.

Standards and interpretations in issue and not yet effective

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

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

IFRS 9 Financial Instruments

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

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

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

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

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

Financial assets at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise of other receivables and cash balances held with financial institutions. These are subsequently measured at amortised cost using the effective interest rate method, less provisions for impairment. The effect of discounting is immaterial. The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets held at amortised cost. The Company has elected to apply the simplified approach permitted by IFRS 9 in respect of receivables as they have a maturity of less than one year and do not contain a significant financing component. Under the simplified approach the requirement is to always recognise lifetime Expected credit loss ('ECL'). Under the simplified approach practical expedients are available to measure lifetime ECL but forward-looking information must still be incorporated. Under the simplified approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime ECLs at all times. The directors have concluded that any ECL on receivables would be highly immaterial to the financial statements due to the low credit risk of the relevant counterparties and the historical payment history.

Cash and cash equivalents

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

Financial assets at fair value

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

Derecognition of financial assets

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

Fair value estimation

The fair value of financial assets traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for the financial assets held by the Company is the bid price at the close of the respective market at the Statement of Financial Position date. Warrants are carried at fair value using standard Black Scholes valuation models. Further details are disclosed in note 7. Unlisted investments are carried at such fair value as the Directors consider appropriate given the performance of each investee company and after considering the financial position of the entity, latest news and developments.

Fair value measurement hierarchy

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

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

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

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

Financial liabilities

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

Financial liabilities measured at amortised cost

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Interest income and expense

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

Income

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

Expenses

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

Capital reserves

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

Revenue reserves

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

Translation of foreign currency

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

Segmental reporting

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

For management purposes, the Company is organised into one main operating segment, which invests in precious metals securities which are principally listed on the stock exchanges of London, Toronto and Sydney.

All of the Company's activities are interrelated, and each activity is based upon analysis of the Company as one segment.

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting (continued)

under IFRS 8 is not applicable. However, for additional information, the fair value of each geographical base and the respective percentages of the total value of the Company can be found in the Portfolio Statement beginning on page 29.

3. TAXATION

The Company has been granted exemption from Guernsey taxation and has paid an annual exemption fee for the year of £1,200 (2019: £1,200). It should be noted, however, that interest and dividend income accruing from the Company's investments may be subject to irrecoverable withholding tax in the country of origin.

The Company has suffered irrecoverable withholding tax in the year under review of £2,712 (30 June 2019: £1,111)

4. DISTRIBUTION TO SHAREHOLDERS

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

5. RELATED PARTY TRANSACTIONS AND OTHER SIGNIFICANT AGREEMENTS

Related party transactions

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

Directors' Interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 June 2020, and as at the date of signing these Financial Statements:

	Ordinary Shares period ended 30 June 2020	Subscription Shares period ended 30 June 2020	Ordinary Shares year ended 31 December 2019	Subscription Shares year ended 31 December 2019
Director				
M Burne	637,500	318,750	537,500	268,750
R King	20,000	10,000	20,000	10,000
T Birch	100,000	25,000	50,000	25,000

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 £64,000 per annum. During the period Directors' fees of £32,000 were charged to the Company (2019: £32,000) and £nil was payable at the period end (31 December 2019: £nil). All Directors are non-executive.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

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

Other significant agreements

Investment Manager

Under the Investment Management Agreement, the Investment Manager, New City Investment Managers (a trading name of CQS (UK) LLP, previous CQS Asset Management Limited), is entitled to an annual management fee, payable monthly in arrears, of 1.25% of the Company's Net Asset Value up to (and including) £20,000,000 and 1% of the Company's Net Asset Value in excess of £20,000,000. The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

During the period investment management fees of £147,336 were charged to the Company (2019: £99,788) and £58,187 was payable at the period end (31 December 2019: £43,355).

The Investment Manager has also received £nil (2019: £nil) in relation to the reimbursement of third-party research fees incurred on behalf of the Company in this financial accounting period.

Administrator

The Company's Administrator is Maitland Administration (Guernsey) Limited. In consideration for the services provided by the Administrator under the Administration Agreement, the Administrator is entitled to receive from the Company a minimum annual fee of £80,000 per annum, if the NAV is under £100,000,000, payable quarterly in arrears. During the period administration fees of £40,337 were charged to the Company (2019: £33,567) and £19,891 was payable at the period end (31 December 2019: £18,891).

Custodian

The Company's Custodian is Credit Suisse AG Dublin Branch. Custodian fees are charged monthly at 5 basis points based on the Company's assets under management. During the period custodian fees of £6,169 were charged to the Company (2019: £3,851) and £1,219 was payable at the period end (31 December 2019: £860).

Depositary

The Company's Depositary is INDOS Financial Limited. In consideration for the services provided by the Depositary under the Depositary Agreement, the Depositary is entitled to receive from the Company an annual fee of 0.25% of the Company's Net Asset Value up to £150 million; 0.015% up to £300 million; 0.0125% up to £450 million and 0.015% thereafter, subject to a minimum fee of £1,400 per month. During the period depositary fees of £8,400 were charged to the Company (2019: £8,400) and £1,400 was payable at the period end (31 December 2019: £1,400).

Financial Adviser and Corporate Broker

As at 8 February 2019 the Company appointed FinnCapp Ltd as Financial Advisor and Corporate Broker ('Financial Adviser') Under this agreement, the Financial Adviser is entitled to receive from the Company an annual fee of £20,000 per annum payable quarterly in advance. During the period total advisory fees of £9,984 (2019: £14,717) were charged to the Company and £1,483 was prepaid at the period end (31 December 2019: £1,467).

Registrar

The Company's Registrar is Computershare Investor Services (Guernsey) Limited. In consideration for the services provided by the Registrar under the Registrars Agreement, the Registrar is entitled to receive from the Company an annual fee of £8,300 per annum payable monthly in arrears as well as all reasonable out-of-pocket expenses. During the period registrar fees of £9,406 were charged to the Company (2019: £8,865) and £2,535 was payable at period end (31 December 2019: £886).

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

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

Basic earnings per Ordinary Share is calculated by dividing the comprehensive income for the period of £12,440,147(2019: £4,458,197) by the weighted average number of Ordinary Shares outstanding during the period. The weighted average number of Ordinary Shares for the period is 57,029,305 (2019: 57,014,331). The 28,473,716 Subscription Shares are dilutive as at 30 June 2020 as the share price for the period was above the exercise price. Assuming all Subscription Shares are exercised at the first possible opportunity, being the last business day in November 2020, and given no further changes in the share capital of the Company, the earnings per Ordinary Share would be expected to be diluted by 7.26 pence per share.

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 2020	23,278,772	94,004	-	23,372,776
Purchases	(6,912,865)	-	-	(6,912,865)
Sales	5,027,499	-	-	5,027,499
Gain/(loss)				
- realised	(98,171)	-	-	(98,171)
- unrealised	16,353,866	153,249	-	16,507,115
Closing fair value at 30 June 2020	37,749,101	247,253	-	37,996,354
Split by:				
Listed equities	37,749,101	-	-	37,749,101
Warrants	-	247,253	-	247,253
	37,749,101	247,253	-	37,996,354

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

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

7. INVESTMENTS AT FAIR VALUE (continued)

	Fair Value Level 1 £	Fair Value Level 2 £	Fair Value Level 3 £	Fair Value Total £
Opening fair value at 1 January 2019	15,395,478	195,300	-	15,590,778
Purchases	5,655,673	-	-	5,655,673
Sales	(7,398,786)	(1,740)	-	(7,400,526)
Transfers	-	-	-	-
Loss				
- realised	1,633,431	(151,733)	-	1,481,698
- unrealised	7,992,976	52,177	-	8,045,153
Closing fair value at 31 December 2019	23,278,772	94,004	-	23,372,776
Split by:				
Listed equities	23,278,772	-	-	23,278,772
Warrants	-	94,004	-	94,004
	23,278,772	94,004	-	23,372,776

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

Net (loss)/gain on financial assets at fair value through profit or loss:

	Period ended 30 June 2020 £	Period ended 30 June 2019 £
Realised (loss)/gain on financial assets		
designated as at fair value through profit or loss	(98,171)	307,608
Net unrealised gains on financial assets		
designated as at fair value through profit or loss	12,836,383	4,409,760
Net capital gains on financial assets	12,738,212	4,717,368
Dividend income and interest on bonds	11,047	9,255
Total net gains on financial assets	12,747,259	4,726,623

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

Item	Fair value hierarchy level	Valuation techniques
Financial assets at fair value through profit or loss – Listed equity securities	Level 1	Fair value is the quoted bid price
Financial assets at fair value through profit or loss – Warrants	Level 2	The fair value of Warrants has been calculated using the underlying listed prices, expiry dates and observable future volatility using the Black-Scholes method.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

7. INVESTMENTS AT FAIR VALUE (continued)

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

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Period ended 30 June 2020	Year ended 31 December 2019
	£	£
Cash at bank	351,368	36,873
Bank overdraft	<u>(2,872,641)</u>	<u>(565,720)</u>
	<u>(2,521,273)</u>	<u>(528,847)</u>

Credit Suisse AG Dublin Branch ('CASGDB') may determine from time to time the overdraft limit it will provide to the Company and may provide reasonable notice in writing of such an amount.

Overdraft interest is calculated on a daily basis using the one month Libor rate plus 175 basis points and is charged to the Company on a monthly basis. In order to satisfy CSAGDB of liquidity, a margin requirement is calculated to establish a net equity and cash position that must be maintained as collateral. If the Company falls into deficit then more funds are called. If the margin calls are not met then CSAGDB can call in all outstanding funds. At no point during the period did the Company fall into deficit and at the period end the Company held an excess over the margin requirement of £16,548,367 (31 December 2019: £13,557,060).

The overdraft interest during the period of £(10,209) (2019: £25,291) represents the only gain or loss on financial liabilities measured at amortised cost.

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

9. RECEIVABLES

	Period ended 30 June 2020	Year ended 31 December 2019
	£	£
Amounts receivable from brokers	370,965	69,920
Income receivable	1,360	188,757
General expenses prepaid	<u>3,401</u>	<u>6,288</u>
	<u>375,726</u>	<u>264,965</u>

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

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

10. PAYABLES AND ACCRUALS

	Period ended 30 June 2020	Year ended 31 December 2019
	£	£
Broker settlements	295,489	-
Investment management fee payable (note 5)	58,187	43,355
Administration fee payable (note 5)	19,891	18,891
Audit fee	11,437	23,000
Bank overdraft interest	-	-
Depository fee payable (note 5)	1,400	1,400
Registrar fee payable (note 5)	2,535	-
Safe custody	1,219	886
Other expenses	-	860
	<u>390,158</u>	<u>88,392</u>

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

11. SHARE CAPITAL

Authorised Share Capital as at 30 June 2020 and 31 December 2019

	No. of shares	£
Ordinary Shares of £0.001 par value	200,000,000	£200,000
Subscription Shares of no par value	<u>28,473,716</u>	<u>-</u>

	No. of Shares		Share Capital	
	2020	2019	2020 £	2019 £
Issued and Fully Paid Share Capital				
Equity Shares				
Ordinary Shares of £0.001 each at inception				
As at 1 January and 30 June/31 December	<u>57,029</u>	<u>57,029</u>	<u>57,029,305</u>	<u>57,029,305</u>

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

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

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.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

12. RESERVES (continued)

Distributable Reserve

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

Realised Capital Reserve

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

Unrealised Capital Reserve

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

13. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

As at 30 June 20120 there were no financial assets which were past due or impaired (31 December 2019: none).

The Board of Directors are satisfied that the Company's transactions are concluded with a suitably approved counterparty with an appropriate credit quality, CSAGDB currently has a Standard and Poor's credit rating of A-1/A+ (31 December 2019: 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:

	Period ended 30 June 2020	Year ended 31 December 2019
	£	£
Cash and cash equivalents:		
Credit Suisse AG Dublin Branch	351,368	36,873
Receivables	375,726	264,965
Total assets at credit risk	727,094	301,838

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

Whilst most of the Company's financial assets are listed securities which are considered readily realisable as they are listed on major recognised stock exchanges, some of the financial assets held by the Company may not be listed on recognised stock exchanges and so will not be readily realisable and their marketability may be restricted. The Company might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so. The fair value of these financial assets as at 30 June 2020 amounts to £247,253 (31 December 2019: £94,004).

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

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	30 June 2020 Total £
Gross settled:					
Broker settlements	295,489				295,489
Bank overdraft	2,872,641	-	-	-	2,872,641
Investment management fee payable	58,187	-	-	-	58,187
Administration fee payable	19,891	-	-	-	19,891
Audit fee	-	-	11,437	-	11,437
Depository fee payable	1,400	-	-	-	1,400
Registrar fee payable	2,535	-	-	-	2,535
Safe custody fee payable	1,219	-	-	-	1,219
Stock exchange listing fees		-	-	-	
	3,251,362	-	11,437	-	3,262,799

	Less than 1 month £	1-3 months £	3 months to 1 year £	1 year to 5 years £	31 December 2019 Total £
Gross settled:					
Bank overdraft	565,720	-	-	-	565,720
Custodian fee payable	860	-	-	-	860
Investment management fee payable	43,355	-	-	-	43,355
Administration fee payable	18,891	-	-	-	18,891
Audit fee payable	-	-	23,000	-	23,000
Depository fee payable	1,400	-	-	-	1,400
Registrar fee payable	886	-	-	-	886
	631,112	-	23,000	-	654,112

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

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

Market risk

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

Price risk

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

The Company is exposed to market price risk arising from its financial assets designated as at fair value through profit or loss. The performance of these financial assets will be affected by the performance of the investee companies. The exploration, development and production of metal and mineral deposits involve significant uncertainties and the investee companies will be subject to all the hazards and risks normally encountered in such activities. Many of these are difficult to predict and are outside the control of the investee companies. They include, amongst others, issues relating to the environment, the climate, the geographical environment, local and international regulatory requirements, licensing terms, planning permission, unexpected geological formations, rock falls, flooding, pollution, legal liabilities, the availability and reliability of plant and equipment, the scaling-up of operations, the reliance on key individuals, local finance and tax regimes, foreign currency repatriation, capital and budget constraints, contractors and suppliers, local employment regulations and practices, employment unions and the availability of suitable labour.

In addition, there is often no guarantee that the estimates of quantities and grades of metals and minerals disclosed by investee companies will be available for extraction.

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

Price sensitivity

The value of the Company's financial assets had a sensitivity of £11,398,906 (31 December 2019: £7,011,833) to a 30% (31 December 2019: 30%) increase or decrease in the market prices with other variables being held constant as at 30 June 2020. A 30% change is the sensitivity rate currently used when reporting price risk internally to key management personnel.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

13. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

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

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

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

	0-3 Months £	1-5 Years £	Total £
As at 30 June 2020			
Variable rate assets			
Cash and cash equivalents	351,368	-	351,368
Total interest bearing assets	351,368	-	351,368
Variable rate liabilities			
Bank overdraft	(2,872,641)	-	(2,872,641)
Total interest bearing liabilities	(2,872,641)	-	(2,872,641)
As at 31 December 2019			
Variable rate assets			
Cash and cash equivalents	36,873	-	36,873
Total interest bearing assets	36,873	-	36,873
Variable rate liabilities			
Bank overdraft	(565,720)	-	(565,720)
Total interest bearing liabilities	(565,720)	-	(565,720)

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

Interest rate sensitivity

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

If interest rates had been 25 basis points higher or lower and all other variables had been held constant, the Company's net assets attributable to holders of Ordinary Shares for the period would have been £1,202 (31 December 2019: £1,553) higher or lower due to the change in the interest payable on the bank overdraft and the interest receivable on cash and cash equivalents.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

13. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

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

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

There were no hedging instruments held at the period end or used in the period (31 December 2019: None).

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

	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Australian Dollar (AUD)	12,937,452	-	6,146,601	-
Canadian Dollar (CAD)	21,583,920	(415,815)	13,466,197	-
United States Dollar (USD)	3,603,199	-	3,356,451	-
Swiss Franc (CHF)	-	-	-	-
Mexican Peso (MXN)	197,626	-	190,377	-
	38,322,197	(415,815)	23,159,626	-

Foreign currency sensitivity

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

The following table details the Company's sensitivity to a 15% (2019: 15%) increase or decrease in Sterling against the relevant foreign currencies. A 15% change is the sensitivity rate currently used when reporting foreign currency risk internally to key management personnel. 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.

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

13. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity (continued)

	AUD £	CAD £	USD £	MXN £
30 June 2020				
Change in net assets in response to a 15% change in foreign currency rates	2,283,080 <u>(1,687,494)</u>	3,882,306 <u>(2,869,531)</u>	635,858 <u>(469,982)</u>	34,875 <u>(25,777)</u>

31 December 2019

Change in net assets in response to a 15% change in foreign currency rates	1,084,694 <u>(801,731)</u>	2,376,395 <u>(1,756,466)</u>	625,623 <u>(462,417)</u>	33,596 <u>(24,832)</u>
--	-------------------------------	---------------------------------	-----------------------------	---------------------------

Capital management

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

The capital structure of the Company consists of net debt, as disclosed in note 8 and equity as per note 11. The Company is not exposed to any externally imposed capital requirements. The Company expects to meet its other obligations for operating cash flows at the Interim Statement of Financial Position date.

13. CONTINGENT LIABILITIES

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

15. CONTROLLING PARTY

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

16. NAV RECONCILIATION

	Period ended 30 June 2020	Year ended 31 December 2019
Net Asset Value per financial statements	£35,460,649	£23,020,502
Number of shares in issue	57,029,305	57,029,305
NAV per Ordinary Share	62.18p	40.37p
Issued NAV per Ordinary Share	62.61p	40.63p

Notes to the Unaudited Financial Statements (continued)

For the period ended 30 June 2020

16. NAV RECONCILIATION (continued)

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

Portfolio Statement

As at 30 June 2020

Description	Holding	Fair Value £	% of Total Net Assets
<u>Equities</u>			
Australia			
West African Resources	7,533,909	3,778,289	10.66
Westgold Resources	1,783,457	2,077,023	5.86
Rox Resources	32,916,667	1,522,391	4.29
Emerald Resources	3,500,000	1,023,905	2.89
Calidus Resources	3,334,064	993,940	2.80
Silver Lake Resources	817,821	966,110	2.72
Oklo Resources	5,560,826	929,593	2.62
Cardinal Resources	2,004,749	687,017	1.94
IGO	103,782	281,055	0.79
Castile Resources	2,427,942	202,937	0.57
Metals X	2,317,805	102,032	0.29
S2 Resources	328,898	17,044	0.05
Amani Gold	17,026,284	9,488	0.03
Lachlan Star	120,000	602	0.00
		12,591,426	35.51
Canada			
Pure Gold Mining	2,362,000	2,371,965	6.69
Roxgold	2,423,308	2,188,739	6.17
Americas Gold and Silver	927,391	1,928,735	5.44
Fortuna Silver Mines	442,747	1,799,506	5.07
Silvercrest Metals	242,000	1,790,302	5.05
Galiano Gold	1,631,089	1,715,507	4.84
Calibre Mining	1,871,901	1,512,737	4.26
Integra Resources	1,298,742	1,450,850	4.09
Mag Silver	119,000	1,344,928	3.79
Wheaton Precious Metals	25,000	883,891	2.49
Liberty Gold	651,000	812,348	2.29
Pan American Silver	32,546	797,357	2.25
B2Gold Corp	112,000	513,114	1.45
Bluestone Resources	363,000	420,613	1.19
Adventus Mining	521,344	408,922	1.15
Sabina Gold & Silver	291,177	333,930	0.94
Pinecrest Resources	500,000	148,553	0.42
Ascendant Resources	1,978,835	141,102	0.40
Capstone Mining	240,000	118,367	0.33
Lundin Mining	22,000	94,777	0.27
Orea Mining	717,000	66,038	0.19

Portfolio Statement

As at 30 June 2020

	Holding	Fair Value £	% of Total Net Assets
<u>Equities – continued</u>			
Canada - continued			
Teck Resources	7,500	63,016	0.18
Trevali Mining	872,125	44,049	0.12
Allegiant Gold	73,400	16,356	0.05
Pan American Silver	168,700	-	-
		20,965,702	59.12
United Kingdom			
Hummingbird Resources	1,220,000	341,600	0.96
Keras Resources	37,500,000	56,250	0.16
Sovereign Bauxite of Guinea Ltd*	100,000	-	-
		397,850	1.12
Mexico			
Industrias Penoles	24,000	197,246	0.56
		197,246	0.56
United States			
First Majestic Silver	126,140	1,015,776	2.86
Mag Silver	79,000	900,866	2.54
Pretium Resources	106,926	726,051	2.05
Platinum Group Metals	449,795	427,843	1.49
Americas Gold and Silver	201,834	426,341	1.20
Pan American Silver	50,000	-	-
		3,596,877	10.14
Total Equities		37,749,101	106.45
<u>Warrants</u>			
Pure Gold Mining July 2019 * ²	500,000	175,293	0.50
Americas Gold and Silver 09/06/2021 * ²	1,148,279	36,959	0.10
Bluestone Resources 19/03/2021 * ²	44,000	16,994	0.05
Americas Gold and Silver 16/06/2021 * ²	364,060	11,898	0.03
Ascendant Resources 07/03/2022 * ²	514,043	6,109	0.02
Total Warrants		247,253	0.70

Portfolio Statement

As at 30 June 2020

	Fair Value £	% of Total Net Assets
Other current assets less payables and accruals	336,936	0.95
Bank overdraft	<u>(2,872,641)</u>	<u>(8.10)</u>
Total Net Assets	<u>35,460,649</u>	<u>100.00</u>

* Level 3 unlisted equities.

*2 Level 2 unlisted warrants

Summary of Investments

Equities

Canada	20,965,702	59.12
Australia	12,591,426	35.51
United States	3,596,877	10.14
United Kingdom	397,850	1.12
Mexico	<u>197,246</u>	<u>0.56</u>
	37,749,101	106.45

Warrants

	<u>247,253</u>	<u>0.70</u>
Total Investments	37,996,354	107.15
Other current assets less payables and accruals	336,936	0.95
Bank overdraft	<u>(2,872,641)</u>	<u>(8.10)</u>
Total Net Assets	<u>35,460,649</u>	<u>100.00</u>

Management and Administration

As at 30 June 2020

Directors

Malcolm Burne
Toby Birch
Robert King
Graeme Ross

Details available at – www.ncim.co.uk

Secretary and Administrator

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

Registered office

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

Investment Manager

CQS (UK) LLP
P.O. Box 242
45 Market Street
Gardenia Court
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)
4th Floor
1 Strand
London
WC2N 5HR

AIFM

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

Independent Auditor to the Company

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

Depository

INDOS Financial Limited
25 North Row
London
W1K 6DJ

Principal Bankers and Custodian

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

Financial Adviser and Broker to the Company

finCapp Ltd.
60 New Broad Street
London
EC2M 1JJ

Management and Administration

As at 30 June 2020

TISE Sponsor

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

Registrar and CREST Agent

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

Advocates to the Company as to Guernsey Law

Babbé LLP
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

Market Makers

Nplus 1 Singer Limited

One Bartholomew Lane
London EC2N 2AX

Shore Capital

Bond Street House
14 Clifford Street
London W1S 4JU

KBC Peel Hunt

111 Old Broad Street
London EC2N 1PH

Winterflood Securities

25 Dowgate Hill
London
EC4R 2GA