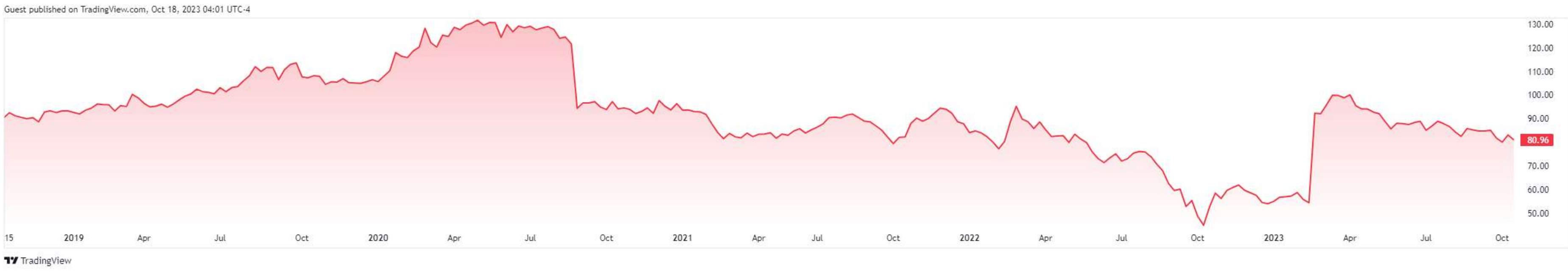
October 18th, 2023

Dear Shareholder,

Although the bond markets of the world dwarf the stock markets and, by way of the exposure of all pension funds to bonds, affect almost everyone's well-being, there has been very little coverage in our infamous "mainstream media" of the carnage that has taken place in the bond markets around the world. In 2021, $18 Trillion of bonds traded at negative yields, not negative real yields, but negative nominal yields, where investors were paying more than the principal, plus all future coupons, to purchase the bonds. Banks were refusing large deposits and the rejected depositors felt obliged to spend the money on assets or goods they did not really need, such as apartment buildings or luxury properties. Inevitably, inflation soon loomed large, and the central banks finally felt obliged to raise interest rates.

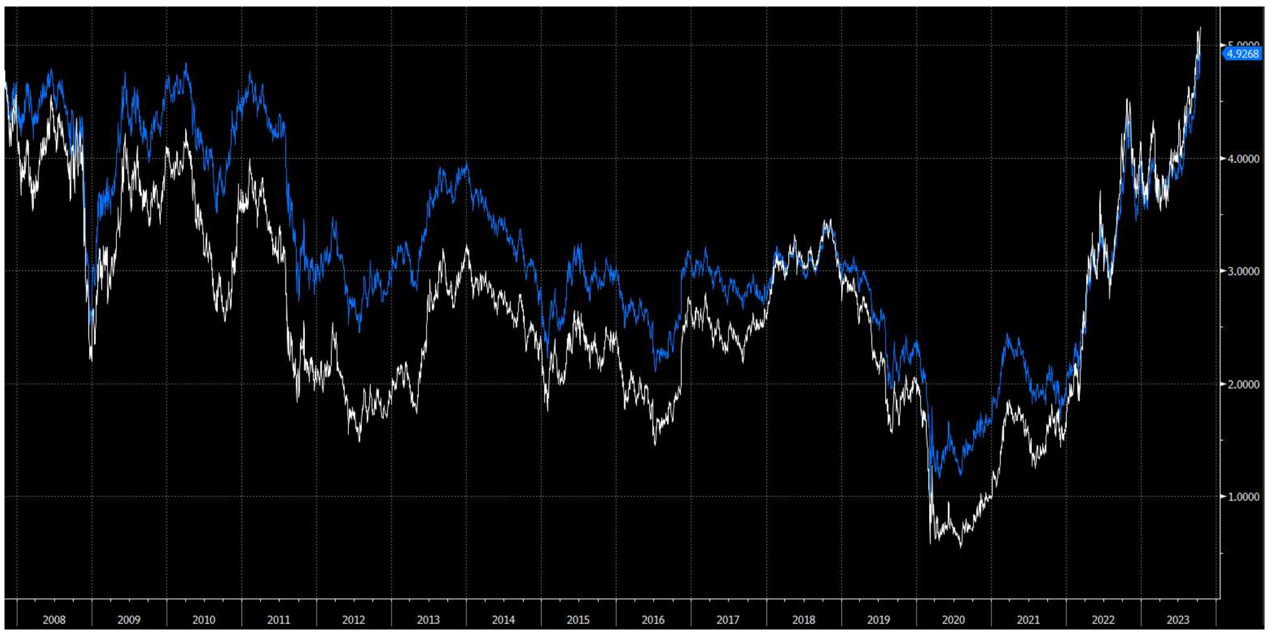
There was quickly alarm in the UK earlier this year when the Bank of England tried to raise interest rates but discovered that many pension funds had tried to enhance the return on their bond holdings by leveraging them several times, borrowing at short term rates to purchase three times as many long-dated bonds as they could afford. The sharp rise in the short rates, and falling long bonds, (see Figure 1) left them "collateral light" forcing them all to rush to sell. Panic gripped the market until the Bank of England was forced to purchase the unwanted bonds.

Figure 1: 30 Year UK Gilts Price (RHS, 2019-2023) (Source: Trading View)



A similar situation seems to have struck the US and Euro denominated Government bonds during the third quarter of 2023 resulting in a scramble for liquidity. Even when the Federal Reserve held rates steady, the bond markets continued to slide lower, driving the yield on the US 10-year bond to a 16 year high at 4.88% (Figure 3). This is attributed to Federal Reserve "tightening" but, in fact, this year has seen the Reverse Repos (their excess reserves that banks effectively deposit with the Fed) slide from $2.6 Trillion to $1.2 Trillion which amounts really to furtive quantitative easing. This stealth QE has provided cover for the insane budget deficits being run by the Biden Administration but, when the Reverse Repos are exhausted, interest rates will have to soar, or the Government will have to stop its budget deficit, or the Federal Reserve will have to buy the new debt. In the meantime, the machines that dominate trading in US markets reacted to the higher interest rates by selling gold driving it almost $100 lower an ounce over 8 trading days.

Figure 2: 10 (white) 30 (blue) Year nominal US treasury yields (Source: Bloomberg)



It appears that everything is now in place for the collapse of the Anglo-American Empire. Empires collapse in a similar manner to the way Ernest Hemmingway described how his own bankruptcy happened, "*gradually and then suddenly*". As we write, the gold price has made a dramatic reversal having its best week of 2023 since March and lifting $65/oz alone on Friday 13th October in a relentless buying orgy. Those of us who have been buying gold as an insurance policy against the great reversal of the financial asset bubbles that have developed over the twenty years or more have been frustrated despite all the precursors of collapse being in place; massive federal deficits, inflation, labour strikes, the banking system under relentless stress, the central banks both insolvent and illiquid, a war in Ukraine obviously lost and a second war in the Middle East threatening to expand, the fraying of the petrodollar system, and, most importantly, a rout in Treasury bonds, the asset that underlies the banking system and the Fed., the gold price has failed to reflect any of those problems. However, considering the intraday move on Friday 13th October being the highest since the pandemic onset of March 2020 (and in the top 10 daily moves since 1978) we ponder if the old adage "better two years too early than two minutes too late" might well apply.

Since Larry has recently returned from the gold conferences at Beaver Creek and Denver and a few site visits to developers in remote areas of Canada, I will leave him to report his views and comments on some of our holdings.

The third quarter of 2023 was challenging for the gold price (-4%) as it was very much “risk on” as the tech heavy Nasdaq swelled to 18-month highs on the back of positive mid year earnings and expectations that the US Fed’s rate policy stance would turn dovish by May 2024 (Figure 3). The pin that pricked this bubble was persistent inflation, with the preferred CPI measure rising and holding at 3.7% in August for the first time since the Fed initiated rate tightening from June 2022. Accounting for more than half the rise in US inflation was the oil price, a factor of increased sensitivity with the onset of conflict in the Middle East despite record US oil exports in the first half of 2023. In a repeat of twelve months earlier (orange dot in Figure 4), the risk off sentiment over September 2023 drove the US dollar (DXY index) to a 12-month high completing the unholy trinity (high rates, high dollar, high oil price) in the opportunity cost of investing in gold bullion and miners.

Figure 3: Implied US Fed fund rate (Source: Bloomberg)

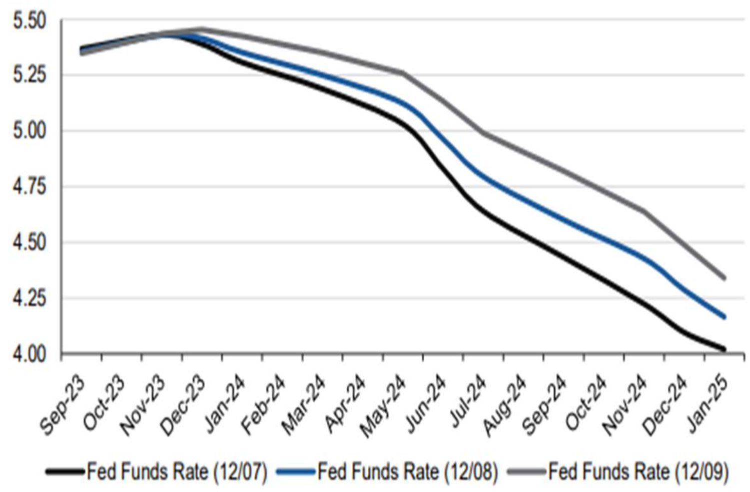
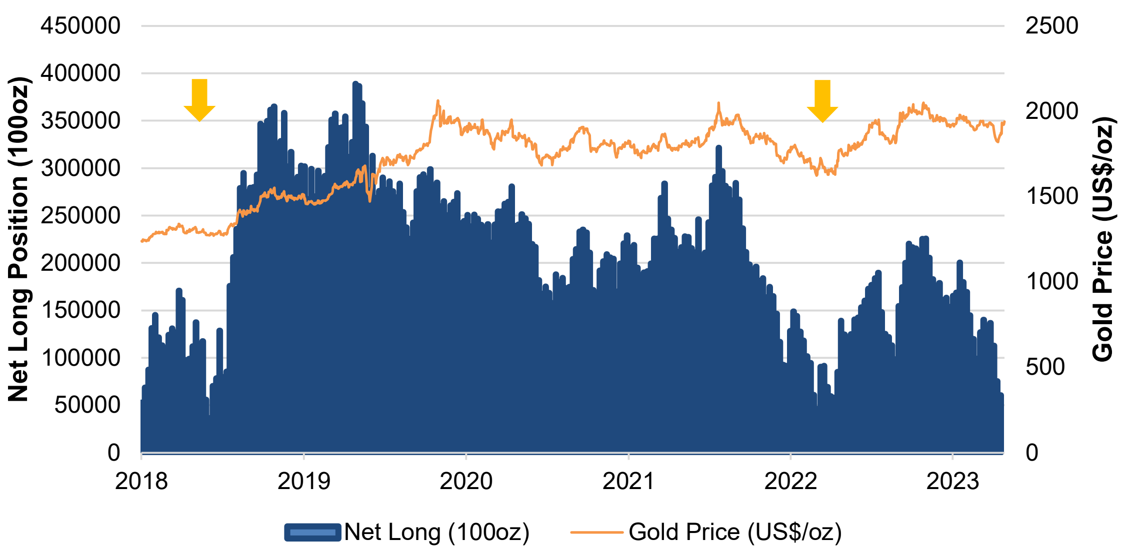


Figure 4 : US 10 real rate (blue RHS) vs DXY (white LHS) from 2021-2023 (Source: Bloomberg)

With regard to Q3’23, the gold price opened at $1920/oz, touched $1970/oz, and closed at near its quarter lows at $1828/oz. This resultant 4.8% decline needs to be considered however against a massive 6.8% gain in just 2 months in the DXY, the world’s reserve currency. The relative outperformance suggest gold can overcome the dollar and can quickly appreciate given the RSI (relative strength indicator in Figure 5) being at its most oversold since 2018. We view this resilience as bullish, implying speculators are exhausting their gold-futures selling which is finite. Once these traders collective positioning gets excessively bearish this typically mean reverts. We note that ETF purchasing is off 9% ytd and that comex speculators are at a net long position (rarely below 100,000) consistent with the pattern in 2022 (see Figure 6), whereby closing out these positions earlier in 2023 propelled the gold price sharply higher to over $2000/oz rekindling stalled up legs.

Figure 5: Gold Price (LHS-white, Below - RSI) vs GDXJ (RHS-blue) (blue) from 2018-2023 (Source: Bloomberg)

Figure 6: Non-commercial net long positions (100oz, LHS) vs gold price (RHS). (Source: Bloomberg)



Reflections from the road:

During September I had the opportunity to attend the Beaver Creek and Denver Gold Forum and have long overdue face to face meetings with many of our portfolio companies. Sentiment at both conferences was subdued, reflective of the sector's performance (i.e.in Figure 5 GDXJ as a proxy is -25% YTD) and only the most battle-hardened investor could see through the gloom and identify opportunities. In this buyers' market, corporate development teams from larger producers rather than generalist investors did most of the tyre kicking, reflective of the dire need to replenish production ounces and the excessive cost of drilling (which ranged from <$200/m in West Africa to over $1000/m in remote Yukon or South America!). We summarise our key take aways below.

On time and budget builds are recognised:

Single asset gold project builds (+100kozpa) in Australia over the past three years have been poorly executed exacerbated with onerous hedging despite a record A$ gold price and cost and grade underperformance that have all damaged investor confidence. Smaller developers such as Red 5 (RED-ASX), Calidus Resources (CAI-ASX) and Tietto Minerals (TIE-ASX) we have gladly avoided yet our long dated investment in Pantoro Ltd (PNR-ASX) exposed us to this reality. Similarly, we have steered clear or divested exposure to larger project builds in Canada currently underway at Marathon Gold (MOZ-TSX), IAM Gold (IMG-TSX) at Côte and Argonaut Gold (AR-TSX). These projects have seen the losing trifecta of emergency asset sales, heavy share dilution and management change out to tackle surging costs and right the ship. Notwithstanding, we recognise the potential (see Figure 7 below) for revaluation as developers move into production. The outperformance YTD of single asset companies Artemis Gold (ARTG-TSX) Bellevue Gold (BGL-ASX) and G Mining (GMIN-TSX) share several attributes that we tend to place an emphasis on in our investment decisions.

Firstly, all three companies have senior management (CEO, COO) with a very recent track records in project construction delivery that we are directly or highly familiar with. Secondly all projects start with high confidence resources (M+I) and immediate access to high grade ore that de-risk start up. Lastly and most importantly all companies have hard earned capability to oversee the construction (EPC) of the plant rather than via an engineering contractor (EPCM) and thereby have greater control and protection of adjustments to the overall cost and timeline. We have found these lessons instructive in our analysis of current and potential portfolio holdings at a similar project stage. This owner led model is being replicated by B2 Gold (BTO-TSX) at its Back River project we were fortunate to visit along with its growth plan for an oxide plant at Fekola in Mali that validates our conviction in our current investment.

Figure 7: The Lassonde Curve of Project Value (Source: RFC Ambrian)

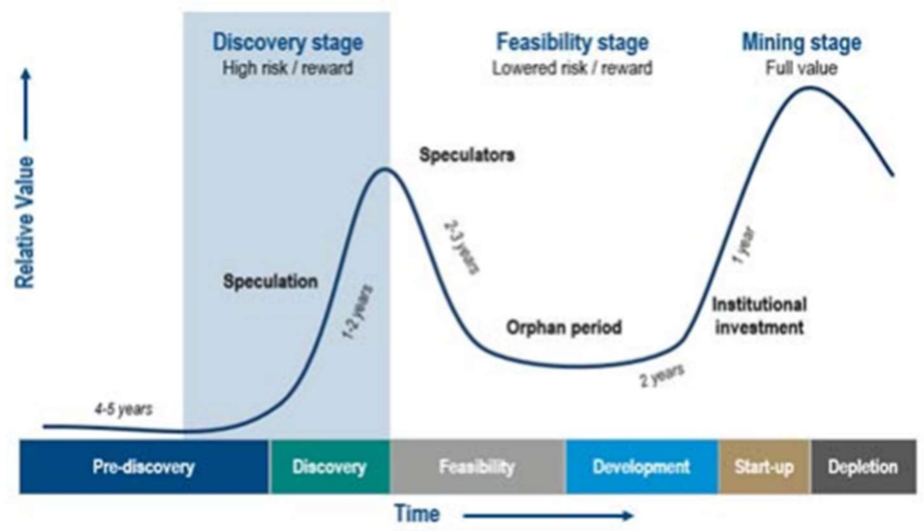


Figure 8: Artemis Gold Blackwater project from our site visit

Mid tier producers with low sustaining capital are harvesting cash:

Based on YTD performance across the gold sector, the mid cap producers (100-500kozpa) have tended to outperform larger producers (Newmont -18%, Barrick -12%) who have struggled to keep production and costs tracking to guidance and have increasingly fragile growth profiles. Within the mid-caps, companies that have delivered growing production and guidance upgrades over 2023 have been recognised within the market and often share similar reasons. The most instructive one we feel is that companies that have projects exiting a large period of capital expenditure and transition to a cash harvesting phase as the assets are "sweated". A prime example is the previously unloved WestGold (WGX-ASX) Big Bell project where bulk underground mining is providing highly profitable (and unhedged) ounces. Additionally, Alamos Gold (AGI-TSX) Island Gold and Lundin Gold (LUG-TSX) Fruta del Norte projects are exceeding grade and mined tonnes leading to consecutive annual guidance upgrades. A conviction portfolio holding Calibre Mining (CXB-TSX) is likewise tracking to upper levels of guidance in Nicaragua. So, while there are many factors we are paying attention to over the coming results season, perhaps the most important for us will be next year's production guidance and the cost, complexity, and capability of achieving that growth.

Royalty companies have underperformed the gold price:

The rising oil price in the H2'23 has compressed operating margins which we would have thought would lead to a rotation towards the royalty companies. While the premium the seniors trade on (Franco Nevada, (FNV-TSX), Wheaton (WPM-TSX), and Royal Gold (RGLD-US) all at P/NAV ~2x vs producer ~1x) reflect predicably low costs bases and risk mitigation through asset diversification, we see there are several reasons for softer performance. Near term 2023 guidance is at risk as the most valued assets underperform (For Franco at Cobre Panama, Silver Wheaton at Salobo) and longer term growth is less certain given the ongoing deferral of large projects that are increasingly base metals (copper) dominate. Osisko Royalties (OR-TSX) with a shock CEO departure and Sandstorm Gold (SSL-TSX) with high gearing post acquisitions have similarly drifted. With much needed consolidation in the royalty sector having already taken place we remain invested due to the whip hand these companies possess to finance a portion of quality development projects in this depressed equity market and thereby underpin their own growth outlook.

Permitting just gets harder in North America:

One takeaway from our meetings was that management are increasingly pushing out development timelines with less visibility on permitting. In the US for instance two key factors determine this. Since Biden's inflation reduction act last year, mining projects of critical metals (an increasingly vague term) has been given priority in the permitting by the regulatory. Strangely, silicon (beach sand) is deemed critical but precious metals are not so developers have taken the approach to demonstrate the project contains metals on the list in the orebody (most copper, platinum) even though the may not be monetised! Secondly when dealing with any authority that is above a state level (such as the Bureau of Land or Forestry) this often increases the opacity of permitting making us extremely coy on mining tenures that are not on private lands.

In Canada the main restriction appears to be establishing a First Nations impact benefits agreement that usually have to involve multiple groups. These were crucial in the due diligence for both Artemis Gold and B2 Gold in their respective project take overs in Canada recently.

Aversion to West African producers:

Instability in the West African region is nothing new however the deployment of Wagner forces in preference to the ineffective French led forces to handle the threats from terrorist groups has been perceived negatively by investors. Combined with a coup in Niger in July and the potential for spillover to neighbouring Burkina Faso and Mali, the impact on the golden goose of the mining industry to fund all this was soon subject to conjecture. The rumour mill has recently been fed by Burkina Faso suggesting an increase in fees on granting exploration permits (decimating the value of a small portfolio holding) and Mali mooting changes from a 20 to a 30% free carry for new projects. These changes (as has been done in the past), are being discussed with the Mali government which is no doubt being made aware that the current arrangement of a 50% economic return (totalling free carry, corporate, import, VAT, and income tax) is far better than 100% of no new project going ahead!

Figure 9: Performance of stocks discussed from Denver and Beaver Creek (Source: Bloomberg, priced 13/10/2023)

Company	Mcap (US$m)	YTD	1Y	1M	3M
Franco-Nevada Corp	25814	-1%	14%	-4%	-8%
Wheaton Precious Metals Corp	18430	4%	29%	-4%	-8%
Newmont Corp	31830	21%	11%	-2%	-7%
Royal Gold Inc	6930	-6%	15%	-4%	-13%
Barrick Gold Corp	27531	20%	18%	-11%	1%
Alamos Gold Inc	4562	16%	53%	-3%	-5%
B2Gold Corp	4002	6%	6%	2%	-14%
Lundin Gold Inc	2644	16%	61%	1%	-12%
Triple Flag Precious Metals Corp	2589	21%	11%	-2%	-7%
Osisko Gold Royalties Ltd	2147	-3%	17%	-8%	-23%
Sandstorm Gold Ltd	1345	-14%	-5%	-12%	-18%
IAMGOLD Corp	1041	-14%	93%	-4%	-22%
Bellevue Gold Ltd	1016	29%	97%	-2%	-11%
Artemis Gold Inc	745	20%	18%	-11%	1%
Westgold Resources Ltd	543	108%	113%	3%	5%
Calibre Mining Corp	466	57%	43%	-3%	-15%
West African Resources Ltd	463	-39%	-33%	-11%	-24%
G Mining Ventures Corp	363	61%	54%	-9%	4%
Argonaut Gold Inc	328	3%	30%	-17%	-13%
Orezone Gold Corp	231	-26%	-30%	-6%	-33%
Marathon Gold Corp	159	-48%	-41%	-24%	-39%
Gold Price	***US$/oz***	**3%**	***12%***	***-2%***	***-4%***

Phoenix Gold Fund (PGF) Portfolio Update:

Over the September quarter the PGF returned -11% in line with the HUI (-11.6%) and GDXJ (10%) as the gold price (-4%) had its worst quarter since JuneQ'22 (see Figure 9). A peer comparison (Figure 10) additionally made for sobering analysis with most active precious metals funds (<$1B) returning between -5% to -20% as there was little refuge for mandates fully invested in gold equities. While we have trimmed some long held stocks to took advantage of the sugar hit that pivots to lithium exploration have brought, we have increased our cash holdings and been selective on deal participation despite the heavily discounted terms on offer. In this market trading liquidity has been quiescent on any measure such as the widening bid/ask spread and reduced recent trading volumes of top 30 holdings in Figure 11.

Figure 10: Peer Q3'23 returns PGF orange (Source: Bloomberg)

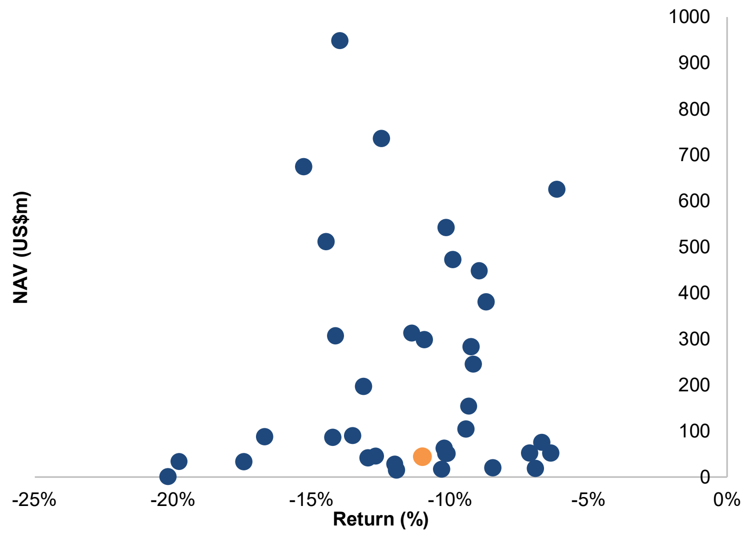
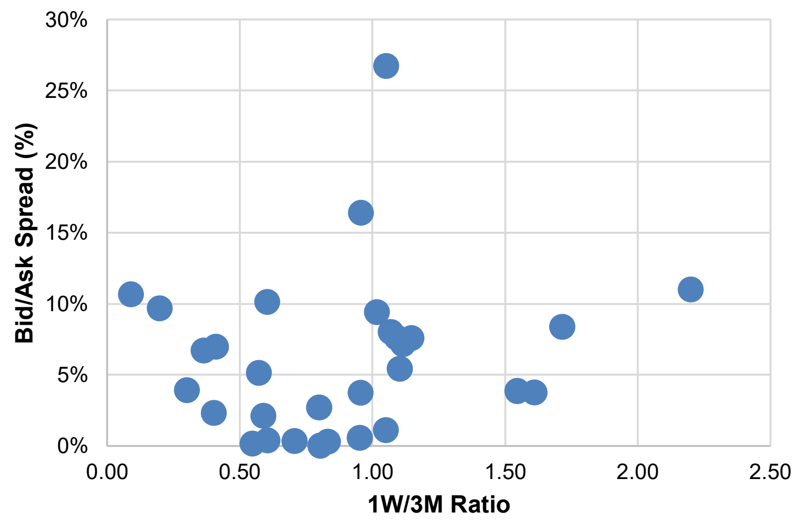
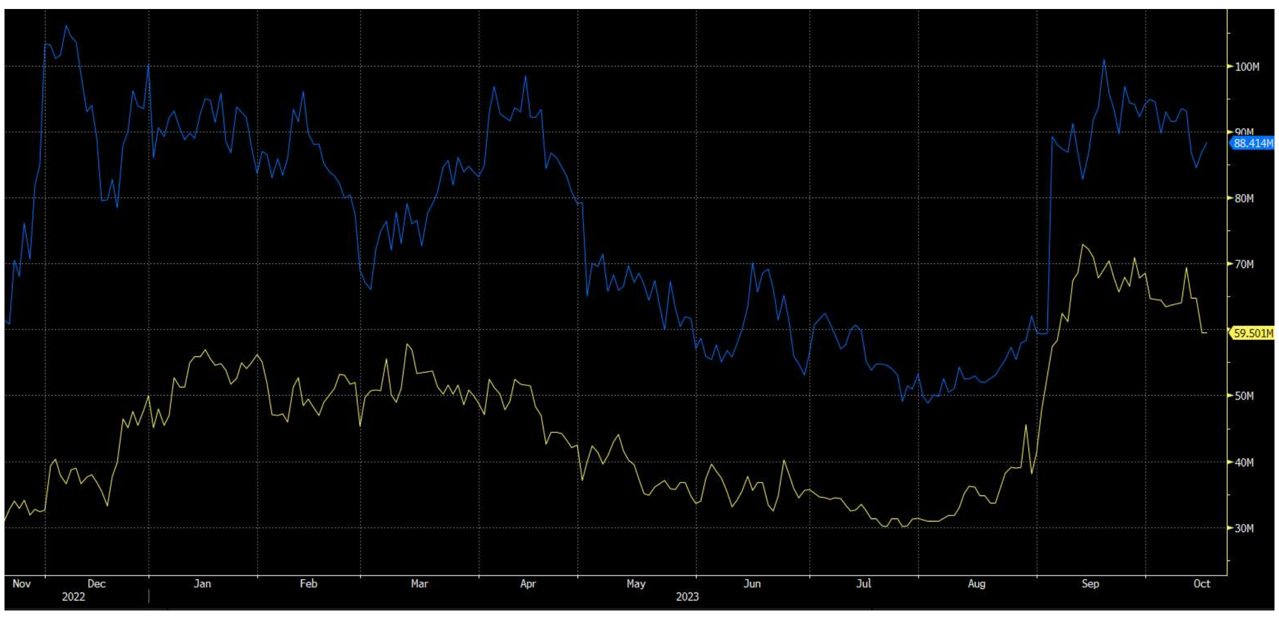


Figure 11: PGF Bid/Ask spread vs daily trading value ratio (Source: Bloomberg)



Given the depressed performance of junior explorers over the last quarter (i.e. Global X Gold explorer ETF -18%, MSCI ETF -12%) there were thankfully some positive developments at one of our longer dated holdings, Mawson Gold (MAW-TSX) that rose 100% to offset some of our losses. Mawson, having spun out its Victoria exploration assets to form the 2022 listed Southern Cross Gold (SXG-ASX) retained a 51% ownership that was subject to a two year lock up (expiring April 2024). Upon listing, drilling commenced at their most prospective target Sunday Creek, located <100km and within a similar geological setting to one of the richest Australian gold discoveries of the last decade (2.72Moz at 31g/t defined in 2018) at Fosterville (that produced 340koz in 2022 at ~ $378/oz cash costs). No sooner had an early hole of 305.8 m @ 2.4 g/t AuEq in 2022 been drilled than famed gold investor Pierre Lassonde (he of the curve in Figure 7) came onboard and has openly talked up the prospects at the recent Denver Gold Forum. He could readily point to the most recent hole of 404m at 5.g/t AuEq and with grade, scale and continuity all being validated over the near-term drilling program. To highlight the opportunity set in the currently depressed market, Mawson Gold after a 100% rise in share price has only recently returned to a positive residual enterprise value and hence we are happy to hold the stock with a 1Moz Finland Gold project and a suite of Swedish Uranium resources that is ours for basically free!

Figure 12: 1 year market capitalisation (US$m, RHS) of SXG-ASX (51% MAW-TSX) and MAW-TSX (Source: Bloomberg)



Our recent conference meetings with management of over sixty companies has given us conviction to initiate several new positions into the portfolio and exit some serial under performers. We continue to refine our identification of opportunities and position the portfolio to best capture the fundamentals that are emerging for the next up leg in the gold price. We appreciate your ongoing support in this pursuit.

Yours Sincerely,

Larry Hill

David Crichton Watt