

The Gravitas Select 2016 FT and the Gravitas Short Duration 2018 Fund recently matured and had final prices of \$2.84 and \$4.35 respectively. Also, for your reference, the September 30th NAVs for the existing funds were \$4.51 (LP 2017) and \$8.91 (LP 2018). Yes, it was a poor performing year for the funds due to a number of reasons. As you know, by definition, the companies the funds invest in are speculative. While the major players have seen some recovery, the juniors need a higher gold price before they will make any upward move. The gold rally will have to continue into 2020-21 and breakout to a higher range of \$1700-\$2000 to have a significant positive impact on explorers. This breakout did not happen in 2019. Adding to weaker performance was the merger of the majors (Newmont, Goldcorp and Barrick, Randgold) basically creating a freeze on any joint venture activity until the merged companies reviewed their portfolios. It should also be mentioned there was a lack of investor appetite/liquidity in the sector due to investors preferring the Cannabis sector and also a more difficult regulatory framework for mining companies including permitting and indigenous rights. Exiting positions in this environment was, at times, more costly than expected.

It should also be noted that while the pre-tax-return over the 3 years totaled a loss of nearly 70%, the after-tax rate was a loss of 30%. Some of our competitors in 2016 Flow Through also posted similar negative returns in the range of 25-50% but those paid out in 2017 or early 2018. As the term of our fund was much longer than our competitors, our performance did suffer. Please use the FT calculator to look at the after tax return <http://gravitasinvestments.com/flow-through-tax-calculator-2/>.

For 2020, there are a few company specific securities to watch:

Forum Energy (FMC) – Partnered with Rio Tinto Exploration Canada in 2019 and is activity drilling in Janice Lake. The drill results to date have demonstrated good continuity and near-surface grades.

West Red Lake (RLG) – The company, which had been in a joint venture with Goldcorp in Red Lake, has been idling in 2019 due to the abovementioned merger. Evolution mining of Australia is now the JV partner and drilling activity is expected to pick up.

Sitka Gold (SIG) – successfully raised funds to start actively drilling their Yukon property as well as their Burro Creek Gold property in Arizona.

The funds also have some positions in junior uranium and lithium companies so any recovery in that sector should also help the performance of the funds. Companies include E3 metals (ETMC), Purepoint Uranium (PTU) and Frontier Lithium (FL).

The 2019 Fund is almost fully invested and we will provide further updates in 2020.