



**bakersteel**  
**resourcetrust**

**BAKER STEEL RESOURCES TRUST LIMITED**

**Annual Report and Audited Financial Statements**

**For the year ended 31 December 2021**

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## **BAKER STEEL RESOURCES TRUST LIMITED**

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### **MANAGEMENT AND ADMINISTRATION**

**DIRECTORS:**

Howard Myles (Chairman)  
Charles Hansard  
Fiona Perrott-Humphrey  
David Staples  
*(all of whom are non-executive and independent)*

**REGISTERED OFFICE:**

Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey, GY1 3NF  
Channel Islands

**MANAGER:**

Baker Steel Capital Managers (Cayman) Limited  
PO Box 309  
George Town  
Grand Cayman KY1-1104  
Cayman Islands

**INVESTMENT MANAGER:**

Baker Steel Capital Managers LLP\*  
34 Dover Street  
London W1S 4NG  
United Kingdom

**STOCK BROKERS:**

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT  
United Kingdom

**SOLICITORS TO THE COMPANY:**

(as to English law)

Norton Rose Fulbright LLP  
3 More London Riverside  
London SE1 2AQ  
United Kingdom

**ADVOCATES TO THE COMPANY:**

(as to Guernsey law)

Mourant Ozanne  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 4HP  
Channel Islands

**ADMINISTRATOR & COMPANY SECRETARY:**

HSBC Securities Services (Guernsey) Limited  
Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey GY1 3NF  
Channel Islands

\* The Investment Manager was authorised as an Alternative Investment Fund Manager ("AIFM") for the purpose of the Alternative Investment Fund Managers Directive ("AIFMD") on 22 July 2014.

**BAKER STEEL RESOURCES TRUST LIMITED**

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**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

<b>SUB-ADMINISTRATOR TO THE COMPANY:</b>	HSBC Securities Services (Ireland) DAC 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>CUSTODIAN TO THE COMPANY:</b>	HSBC Continental Europe 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>SAFEKEEPING AND MONITORING AGENT:</b>	HSBC Continental Europe 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>AUDITOR:</b>	BDO Limited P O Box 180 Place du Pre Rue du Pre St. Peter Port GY1 3LL Guernsey
<b>REGISTRAR:</b>	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE11ES Jersey
<b>UK PAYING AGENT, RECEIVING AGENT AND TRANSFER AGENT:</b>	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE11ES Jersey
<b>PRINCIPAL BANKER:</b>	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom

### **CHAIRMAN'S STATEMENT**

**For the year ended 31 December 2021**

2021 was a mixed year for your Company as the global economy started to recover after the severe shock of the Covid-19 pandemic. The NAV per share increased by 1.2% to 98.4 pence, compared to a 5.0% rise in the EMIX Global Mining Index in Sterling terms. The Company's share price on the London Stock Exchange rose 3.4% during the year. This overall flat performance masks some significant movements in the underlying portfolio. In particular, the carrying values of First Tin doubled and Kanga Potash increased 52% on the back of surging prices of tin and potash, whereas those of Bilboes Gold and Polar Acquisitions fell on weaker precious metal markets. Whilst the investment policy of the Company concentrates on the specific characteristics of the individual projects, this demonstrates the importance of diversification in terms of commodity, geography and development stage of the projects as well.

#### **Two Listings During 2021**

During the year two of the Company's core investments were listed. Tungsten West PLC completed a successful listing on the AIM market of the London Stock Exchange in October 2021, raising £39 million. This, together with a US\$49 million royalty and loan facility from Orion Resource Partners, was well in excess of the £45 million capital required to bring Tungsten West's Hemerdon tungsten mine into production despite the 10% inflation in capex being seen across the mining industry. The listing price represented approximately three times the Company's average investment price and although our shares are locked-up until October this year under AIM rules, we believe there is significant upside potential for Tungsten West once the mine comes into production which is targeted for early next year.

The other investment to achieve a listing was Mines & Metals Peru PLC which merged with Oro X Mining Corp to create Silver X Mining Corporation, listed on the Toronto Venture Exchange and raising C\$14 million. Unfortunately, since its listing Silver X's share price has fallen, probably due to a weaker silver price and the election of a left-wing government in Peru which is targeting the mining industry with increased taxes. Fortunately, the majority of the Company's investment in Silver X remains via a convertible debenture, repayable in June 2022, albeit the conversion price is well below the current share price. We are in negotiation with Silver X either for our capital to be repaid or for another mutually acceptable solution. This re-emphasises the benefits of the Company's strategy to make new investments via convertible loans, maintaining the equity upside whilst providing a measure of downside risk protection.

The termination of negotiations for the cash offer for Bilboes Gold was a disappointment during 2021, however the type and length of warranties demanded by the potential buyer would have tied up too much of our capital for an unacceptable period of time. Bilboes is currently reviewing its options for the refinancing of what will be Zimbabwe's largest gold mine but our preference is one that enables the Company to retain a stake in the future of the mine

#### **Environment, Social and Governance ("ESG")**

The focus on ESG has become increasingly important for all industries but particularly the mining industry which historically has had a poor reputation, not always unjustified. It is therefore important for the mining industry to demonstrate that it can be part of the solution to the environmental issues facing the world, rather than a problem, whether through metals for electricity storage such as lithium, nickel and cobalt or through electricity transmission and connections such as copper and tin. Until scalable and economically viable alternative can be put in place, however, even coking coal will have an important role in producing the steel required to create the infrastructure for a carbon neutral future. Mines themselves can also move to lower their carbon footprint by installing solar plants or moving to electric equipment. The Nussir copper project in northern Norway in which the Company has a 12.1% interest is contender for the world's first truly carbon neutral mine having recently updated its feasibility study based on a 100% electric primary mining fleet plus utility vehicles. All of Nussir's electricity needs will be covered from renewable energy sources.

Social & Governance issues have always been an important part of the Company's investment criteria as a properly run company which has the right employee culture and sensitivity to the concerns of local communities should encounter fewer problems and outperform in the longer term. However, it is important that we as responsible allocators of capital do our best not to let the current trends on ESG become a "tick box" exercise where companies make glib statements on ESG in annual reports whilst not following through with actions. We expect the debate around what are appropriate and realistic measures of ESG to continue. Part of the strategy of the Company is to seek board representation on our investments so that we are in a position to guide policy on ESG, which is also becoming an increasingly important factor in the cost of capital for mining companies. Further details on the Company's investments are given in the Investment Manager's Report.

#### **Outlook**

The maturity of the Company's investment portfolio is demonstrated by the expectation of a further three listings during 2022. First Tin PLC successfully listed on the main market of the London Stock Exchange raising £20 million in April 2022 and is planning a secondary listing on the Australian Stock Exchange later this year. As mentioned above Nussir has completed the update on its feasibility study and expects to list later this year to raise the equity for the development of its copper project. Kanga Potash is likewise planning an IPO in London later this year in order to fund the final engineering studies following its positive feasibility study on its world class potash project in the Republic of Congo which is supported by the recent more than doubling of potash prices.

**CHAIRMAN'S STATEMENT (CONTINUED)**

**For the year ended 31 December 2021**

The Investment Manager continues to evaluate and monitor a number of interesting potential new projects which could meet our criteria for investment. Due to the size of the Company's ownership interests in the companies being listed however, its holdings are likely to be locked up for a period before potential cash realisations can be made, therefore any new investments are unlikely until the latter part of the year.

The escalation of tensions between Russia and the West, following Russia's invasion of Ukraine, presents a range of implications for both precious metals and broader commodity markets. Gold has moved higher driven by both safe haven demand, and soaring energy costs suggesting that higher inflation is likely to last longer than governments are currently forecasting. The war has also further emphasised the issue of supply chains. The importance of where commodities are produced and how easily they can reach their end markets had already been highlighted during the Covid pandemic. Some commentators are now suggesting an end to the trend of extreme globalisation that has occurred in recent decades. Should this be the case, the reverse trend could see even more significant supply chain disruptions leading to higher commodity inflation.

The other key outcome from the sanctions on Russia and the resulting increases in oil and gas prices is likely to be an acceleration in the West of the existing drive towards electrification, renewable energy and greater energy self-sufficiency over the medium term. Most European countries have announced major plans for increased renewables. In addition, President Biden's plans to employ the little-used Defense Production Act to increase American production of minerals vital for building electric vehicles (EVs) and other forms of battery storage that are key to weaning the United States from fossil fuels is further evidence of this trend.

On the downside for mining companies, higher energy prices and wage inflation will undoubtedly raise operating costs, and supply chain issues could mean a requirement for greater working capital. This could particularly apply to development projects such as those in which the Company is investing. However, we expect this to be more than compensated for by higher commodity prices.



Howard Myles  
Chairman  
14 April 2022

**INVESTMENT MANAGER'S REPORT****For the year ended 31 December 2021****Financial Performance**

The audited Net Asset Value per Ordinary Share ("NAV") as at 31 December 2021 was 98.4pence, an increase of 1.20% in the year compared with the increase in the EMIX Global Mining Index of 5.0% in Sterling terms.

For the purpose of calculating the NAV per share, unquoted investments were carried at fair value as at 31 December 2021 as determined by the Directors and quoted investments were carried at their quoted prices as that date.

Net assets at 31 December 2021 comprised the following:

	£m	% net assets
Unquoted Investments	84.8	80.9
Quoted Investments	18.9	18.0
Cash and other net assets	1.1	1.1
	104.8	100.0

**Investment Update****Largest 10 Holdings – 31 December 2021**

	<b>% of NAV</b>
Cemos Group Plc	18.6
Futura Resources Limited	18.1
Tungsten West Plc	14.7
Bilboes Gold Limited	13.0
First Tin Limited (previously Anglo Saxony Mining Limited)	7.7
Polar Acquisition Limited	7.5
Kanga Potash (previously Sarmin Minerals Exploration)	4.1
Nussir ASA	3.6
Silver X Mining Corporation (previously Mines & Metals Trading (Peru) Plc)	2.8
Azarga Metals Corporation	2.4
	92.5
Other Investments	6.4
Cash and other net assets	1.1
	100.0

**Largest 10 Holdings – 31 December 2020**

	<b>% of NAV</b>
Bilboes Gold Limited	19.5
Futura Resources Limited	16.2
Cemos Group Plc	14.5
Tungsten West Limited	13.2
Polar Acquisition Limited	8.9
Mines & Metals Trading (Peru) Plc (now Silver X Mining Corporation)	4.4
Anglo Saxony Mining Limited (now First Tin Limited)	3.9
Nussir ASA	3.4
Azarga Metals Corporation	2.7
Sarmin Minerals Exploration (now Kanga Potash)	2.7
	89.4
Other Investments	9.7
Cash and other net assets	0.9
	100.0

**INVESTMENT MANAGER'S REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Review**

At the year end, the Company was fully invested, holding 22 investments of which the top 10 holdings comprised 92.5% of the portfolio by value. The portfolio is well diversified both in terms of commodity and the geographical location of the projects. In terms of commodity the portfolio has exposure to gold, silver, metallurgical coal, cement, tungsten, copper, tin, iron, potash, lead and zinc. Its projects are located in Australia, Canada, Germany, Indonesia, Madagascar, Mongolia, Morocco, Norway, Peru, the Philippines, Republic of Congo, Russia, South Africa, the UK and Zimbabwe.

During the year, the performance of mining markets was variable dependent on commodity but overall performance was flat with EMIX Global Mining Index ending the year up 5% in Sterling terms. Following the strong gains in 2020 precious metals fell back with gold down 4% and silver down 12% in US Dollars. Iron ore likewise fell 24% during 2021 after rising 74% in 2020. Metals required for the electrification of the world's infrastructure continued to be strong with copper rising a further 26% during the year having risen 26% in 2020 and, tin more than doubling (all in US dollars). Coking coal more than reversed its 31% fall in 2020, rising 252% during 2021 and potash was similarly strong – more than doubling during the year.

Although two of the Company's core investments, Tungsten West and Silver X listed during the year, it did not monetise either of these investments and therefore did not have surplus funds to make any significant new investments during 2021. The Company's shares in Tungsten West are locked-up until October 2022 and the majority of the Company's interest in Silver X is held through a convertible debenture which matures in June 2022.

During 2021, Cemos Group PLC continued profitable production at its cement plant in Morocco. 2021 cement sales of approximately €30 million were at a similar level to 2020 despite the adverse impact of clinker import restrictions which were brought in by the Moroccan authorities in the second quarter of the year. This affected the second and third quarters in particular as Cemos had to source alternative sources of clinker albeit the situation had improved by the fourth quarter following successful negotiation of supply arrangements with local clinker producers. Due to the continued steady performance of Cemos's operations and increased confidence in Cemos's profitability and forecasting it was decided to reduce the discount applied to Cemos's valuation compared to the rating of its Moroccan listed peers, which resulted in a 35% increase in carrying value. Cemos continues to examine the potential to double its production as well as the possibility of installing its own clinker plant. This may be financed through a fund raising via listing on the Moroccan stock exchange which is also being considered.

For most of 2021 progress on financing Futura's Wilton and Fairhill coking coal projects was stalled as a result of China ceasing to import coking coal from Australia. This resulted in significant disruption to the international market with the price of coking coal falling to around US\$100 per tonne. The market has since recovered considerably with coking coal recently trading in excess of US\$500 per tonne. Futura is currently in advanced discussions for the finance to commence both mines sequentially with the aim of starting production in the third quarter of 2022. Once in full production the mines are due to produce around 2 million tonnes of coal per year at a cost of around US\$70 per tonne. The Company owns approximately 27% of Futura as well as a 1% revenue royalty.

In October 2021, Tungsten West, which owns the Hemerdon Tungsten Mine 7 miles northeast of Plymouth in Devon, England listed on the AIM market of the London Stock Exchange raising approximately £35 million after expenses. Together with the agreement to sell a royalty for US\$21 million and a project finance facility of US\$28 million, Tungsten West is well funded to meet the £45 million capital cost outlined in its Bankable Feasibility Study ("BFS") to bring the Hemerdon Mine back into production. Tungsten prices have been steadily increasing over the past year with European Ammonium Paratungstate ("APT") prices standing at \$335-\$345 per MTU compared to US\$275 per MTU used in the BFS. This should more than offset inflation in operating and capital costs being seen across the mining industry. Tungsten West is well advanced with its development plans with the appointment of Fairport Engineering as Engineering Procurement and Construction Management ("EPCM") contractor and key capital equipment either delivered or on order and key hires for project delivery made with targeted production in early 2023.

It was disappointing that Bilboes Gold shareholders had to terminate negotiations for the cash sale of that company in July 2021. Although the value of the offer had been agreed, the ongoing conditions demanded by the potential buyer were outside ordinary market practice and would have reduced the opportunity to reinvest or distribute the proceeds for at least 2 years. As the initial Definitive Feasibility Study ("DFS") on its Isabella/McCays/Bubi gold project in Zimbabwe was completed in January 2020 Bilboes decided to update it for current pricing. The updated DFS, completed in January 2022, defined an open-pit gold mine with an average gold production of 167,000 ounces of gold per year over a ten-year mine life (2020 DFS 152,000 oz). This would make the mine the largest gold mine in Zimbabwe. The peak funding requirement rose 9% to US\$250million with All-In Sustaining Costs rising 4.4% to US\$826/oz of gold production. Using a gold price of US\$1,650/oz the project economics show an after tax NPV10% of US\$323 million with an internal rate of return of 33% and a payback on investment of one and a half years. Bilboes shareholders are now considering the best way to finance the development of the project.



**INVESTMENT MANAGER'S REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Review (continued)**

First Tin PLC (formerly Anglo Saxony Mining) completed a Pre-Feasibility Study (“PFS”) on its Tellerhauser tin project in Saxony, Germany, in April 2020. The study base case economics showed that the project required a higher tin price than the US\$20,500/tonne used in the study to be financeable. Since then, the tin price has more than doubled as markets have come to understand that tin is one of the principal beneficiaries of the global move towards electrification due to its use as solder for electrical connections. In November 2021 First Tin signed an agreement to acquire the Taronga Tin Project in New South Wales which contains estimated resources containing 57,000 tonnes tin, 28,000 tonnes copper and 4.4 million ounces’ silver. The acquisition was subject to First Tin undertaking an IPO on the London Stock Exchange raising at least £20 million. The IPO was completed in early April 2022, raising £20 million at a price of 30 pence per share compared to the Company’s acquisition price of approximately 8 pence per share. As the Company is the largest shareholder in First Tin, its shares will be locked up for one year. First Tin plans to use the proceeds of the IPO to undertake bankable feasibility studies on both the Tellerhauser and Taronga projects and further exploration.

In August 2021 Polymetal International PLC announced that it had approved an accelerated development of the open-pit mine at the Prognoz silver project in the Republic of Sakha (Yakutia), Russia over which Polar Acquisition Limited (“PAL”) holds a 1.8% to 0.9% net smelter royalty, with ore processing to take place at Polymetal’s Nezhda mine concentrator. First production and therefore payment of the royalty is now planned for 2024 approximately three years earlier than previously envisaged. The plan proposes silver equivalent production of approximately 6.5 million ounces per annum in concentrate over 18 years. This is a lower production rate over a longer period than the previous guidance, however given the additional resources already identified which could be mineable using underground methods, as well as the further exploration potential, there is a reasonable likelihood that the production rate could be doubled with processing to take place on site at Prognoz, as had previously been planned in the PFS, once the mine is producing positive cashflow. At the end of February 2022, the Company reviewed the carrying value of PAL. Although Polymetal is a Jersey registered company and is listed on the London Stock Exchange, the majority of its assets are situated in Russia and Kazakhstan. As at the end of March 2022, Polymetal had not been the subject of targeted sanctions. To account for the increased risk in relation to investments in Russia the Company decided to reduce the carrying value of PAL by 50%. The revaluation is not reflected in the Annual Report as it is considered a non-adjusting Post Balance Sheet Event.

In September 2020, Kanga Potash (formerly Sarmin Mineral Exploration) completed a positive DFS on its Kanga Potash project in the Republic of Congo for a mine producing 600,000 tonnes per annum of Muriate of Phosphate (“MOP”). It also has the potential to be expanded on a modular basis up to 2.4M tonnes per annum over 30 years. The DFS economic model gave a NPV10% of US\$511 million with an IRR of 22% based on an MOP price of US\$282 per tonne. Over the past year the MOP price has risen to over US\$800/tonne. Kanga is currently planning an IPO in the second half of the year.

In early 2022 Nussir completed the update of its 2022 DFS on its Nussir/Ulveryggen copper project in northern Norway on the basis of a fully electrified mine producing around 13,000 tonnes of copper per year over a 14-year mine life. The revised DFS economics gave a NPV6% US\$148 million with an IRR of 17% based on a copper price of US\$7,500 per tonne, well below the current market price of approximately US\$10,000 per tonne. Nussir is currently in discussions with potential financiers for the development of the mine.

In the first half of 2021, Mines & Metals Trading Peru PLC completed a business combination with TSX-V listed mineral exploration company Oro X Mining Corp together with a C\$14.2 million equity raising with the resultant merged company called Silver X Mining Corporation. Silver X’s Recuperada project in Peru has secured the environmental permitting approval required to increase production capacity to 720 tonnes per day and installation of a new crushing circuit and flotation cells has commenced. Silver X’s exploration focus is on expanding and improving its understanding of its central Tangana mining unit. A 10,000 metres drilling campaign is underway to evaluate these structures for delivery of an upgraded resource statement in 2022.

Amongst the smaller investments in the portfolio Azarga Metals Corp. released the results of its updated Preliminary Economic Assessment on its Unkur copper/silver project in far eastern Russia. Although the project economics looked attractive, countries around the world have imposed a number of sanctions on Russia in response to the Russian invasion of Ukraine. These sanctions include, but are not limited to, removing certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) messaging system, which will likely affect Azarga’s ability to fund the Unkur project and could jeopardize the viability of the Company’s business operations in Russia. Azarga is therefore concentrating on its second project: The Marg Volcanic Massive Sulphide (“VMS”) exploration project in the Yukon. At the end of February 2022, the Company reviewed the carrying value of its convertible loan to Azarga. To account for the increased risk in relation to investments in Russia the Company decided to reduce the carrying value of the loan by 50%. Metals Exploration plc continued to improve the production rate from its Runruno gold mine in the Philippines and is steadily reducing its debt burden, Black Pearl continued discussions with Chinese partners regarding the use of its mine as the basis for a new steel plant in Indonesia, and Prism Diversified is currently discussing a re-organisation and financing to further its iron ore and lithium projects in Alberta Canada.

**INVESTMENT MANAGER'S REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Review (continued)**

**Outlook**

The invasion of Ukraine by Russia is expected to have a profound effect on the mining industry during 2022 and possibly beyond. Although commodity prices are expected to be strong due to supply disruptions there will also be inflationary pressures on capital and operating costs and this may in turn reduce investors' appetite for risk in financing new projects through IPO's or otherwise. Increased safe haven demand, and inflation concerns, have sent the gold price to a 17-month high, while the imposition of sanctions will likely exacerbate existing supply issues, particularly for those commodities where a significant portion of production is from Russia or Belarus, and where markets are very tight already as discussed in the Chairman's Statement.

Further details of each of these investments are provided below.

**Cemos Group plc ("Cemos")**

Cemos is a private cement producer at Tarfaya in Morocco. Cemos produced 235,000 tonnes of cement in 2021.

**Futura Resources Ltd ("Futura")**

Futura owns the Wilton and Fairhill coking coal projects in the Bowen Basin in Queensland, Australia which hold Measured and Indicated resources of 843 million tonnes of coal. Production is targeted to commence during H2 2022, for a targeted combined sustainable level of approximately 2 million tonnes per annum of saleable processed coal for at least 25 years once in full production.

**Tungsten West PLC ("Tungsten West")**

Tungsten West owns the Hemerdon Mine in Devon, United Kingdom and is quoted on the AIM market of the London Stock Exchange. Construction of the mine is underway for a mine producing approximately 350,000 mtu tungsten per annum over 25 years and is due start production in early 2023.

**Bilboes Gold Limited ("Bilboes")**

Bilboes is a private Zimbabwean based gold mining company which has a JORC compliant Proved and Probable Reserves containing 1.8 million ounces of gold out of a total Mineral Resource of 3.8 million ounces of gold. An updated definitive feasibility study into a mine producing an average of 170,000 ounces of gold per annum was completed in January 2022.

**First Tin PLC ("First Tin") (formerly Anglo Saxony)**

First Tin is a company listed on the London Stock Exchange which holds the Tellerhäuser and Gottesburg tin projects in Germany and the Taronga tin project in Australia. Combined contained tin for the three projects totals 143,000 tonnes.

**Polar Acquisition Limited ("PAL")**

PAL is a private company which holds a 0.9% to 1.8% royalty over the Prognoz silver project ("Prognoz"), 444km north of Yakutsk in Russia, owned by Polymetal. Prognoz has a 7.9Mt ore reserve with an average silver grade of 560 g/t containing 142 million ounces of silver

**Kanga Potash (previously Sarmin Minerals Exploration)**

Kanga Potash is private company which holds the Kanga potash project, in the Republic of the Congo. A feasibility study producing 600,000 tonnes per annum of Muriate of Phosphate was completed in September 2020.

**Nussir ASA ("Nussir")**

Nussir is a Norwegian private company whose key asset is the Nussir/Ulveryggen copper project in Northern Norway. An updated definitive feasibility study for a fully electric mine producing approximately 14,000 tonnes of copper per annum was completed in January 2022.

**Silver X Mining Corp ("Silver X") formerly Mines & Metals Trading Peru PLC**

Silver X is a TSX-V listed company whose Recuperada project in Peru comprises 11,261 Ha of mining concessions centred around a 600 tonne per day processing plant. In October 2021 Silver X secured the environmental permitting approval required to increase production capacity to 720 tonnes per day.

**Azarga Metals Corp. ("Azarga")**

Azarga is a TSX-V listed company which holds the Unkur copper/silver project in far eastern Russia and the Marg Copper rich VMS project, located in Central Yukon, Canada.

**Metals Exploration plc ("Metals Exploration")**

Metals Exploration is an AIM listed company which owns the Runruno gold mine in the Philippines. The Runruno mine produced 72,447 ounces of gold in 2021.

**INVESTMENT MANAGER'S REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Review (continued)**

**PRISM Diversified Limited ("PRISM")**

PRISM is a private Canadian company which owns the Clear Hills Iron Ore/Vanadium Project ("Clear Hills") in Alberta, Canada. Clear Hills currently has Indicated Resources of 557.7 million tonnes at 33.3% iron and 0.2% vanadium.

**Black Pearl Limited Partnership ("Black Pearl")**

Black Pearl is a special purpose vehicle formed to invest in the Black Pearl beach placer iron sands project in West Java, Indonesia. Negotiations are ongoing for the Black Pearl project to form the base production for an integrated steel production facility.

**Akora Resources Ltd ("Akora")**

Akora is an Australian Stock Exchange Listed mineral exploration company with three prospective exploration target areas comprising some 308 km<sup>2</sup> of iron ore tenements in Madagascar.

*Baker Steel Capital Managers LLP*

*Investment Manager*

*14 April 2022*

**BAKER STEEL RESOURCES TRUST LIMITED**
**PORTFOLIO STATEMENT  
AT 31 DECEMBER 2021**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<b><u>Listed equity shares</u></b>			
<b>Australian Dollars</b>			
5,091,910	Akora Resources Limited	642,664	0.61
283,000	Regis Resources Limited	296,385	0.28
1,570,000	Resolute Mining Limited	328,851	0.32
270,000	St Barbara Limited	212,440	0.20
<b>Australian Dollars Total</b>		<b>1,480,340</b>	<b>1.41</b>
<b>Canadian Dollars</b>			
11,601,786	Azarga Metals Corporation	338,570	0.32
57,000	Kinross Gold Corporation	244,188	0.23
2,104,744	Silver X Mining Corporation	411,526	0.39
<b>Canadian Dollars Total</b>		<b>994,284</b>	<b>0.94</b>
<b>Great Britain Pounds</b>			
31,000	Fresnillo Plc	276,768	0.27
122,760,000	Metals Exploration Plc	1,718,640	1.64
28,846,515	Tungsten West Plc	14,064,224	13.42
<b>Great Britain Pounds Total</b>		<b>16,059,632</b>	<b>15.33</b>
<b>United States Dollars</b>			
110,000	Coeur Mining Inc	409,454	0.39
<b>United States Dollars Total</b>		<b>409,454</b>	<b>0.39</b>
<b>Total investment in listed equity shares</b>		<b>18,943,710</b>	<b>18.07</b>
<b><u>Debt instruments</u></b>			
<b>Australian Dollars</b>			
2,000,000	Futura Resources Limited	1,235,273	1.18
<b>Australian Dollars Total</b>		<b>1,235,273</b>	<b>1.18</b>
<b>Canadian Dollars</b>			
305,000	PRISM Diversified Limited Loan Note 1	87,992	0.08
250,500	PRISM Diversified Limited Loan Note 2	280,363	0.27
<b>Canadian Dollars Total</b>		<b>368,355</b>	<b>0.35</b>
<b>Euro</b>			
1,045	Cemos Group Plc Convertible Unsecured Loan Security	10,186,419	9.72
<b>Euro Total</b>		<b>10,186,419</b>	<b>9.72</b>

**BAKER STEEL RESOURCES TRUST LIMITED**
**PORTFOLIO STATEMENT (CONTINUED)  
AT 31 DECEMBER 2021**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<b><u>Debt instruments (Continued)</u></b>			
<b>United States Dollars</b>			
3,500,000	Azarga Metals Secured Convertible Loan Note	2,206,301	2.11
440,000	Bilboes Holdings Loan Note 1	1,807,495	1.72
220,000	Bilboes Holdings Loan Note 2	350,162	0.33
7,028,352	Black Pearl Limited Partnership	1,292,467	1.23
4,000,000	Silver X Mining Corporation Convertible Debenture	2,481,030	2.37
<b>United States Dollars Total</b>		<b>8,137,455</b>	<b>7.76</b>
<b>Total investments in debt instruments</b>		<b>19,927,502</b>	<b>19.01</b>
<b>Unlisted equity shares, warrants and royalties</b>			
<b>Australian Dollars</b>			
7,800,000	Futura Gross Revenue Royalty	8,625,430	8.23
11,309,005	Futura Resources Limited	9,110,681	8.69
<b>Australian Dollars Total</b>		<b>17,736,111</b>	<b>16.92</b>
<b>Canadian Dollars</b>			
13,490,414	Azarga Metals Warrants 31/12/2022	33,744	0.03
13,083,936	PRISM Diversified Limited	809,465	0.77
1,000,000	PRISM Diversified Limited Warrants 31/12/2023	17,920	0.02
40,000	PRISM Diversified Limited Convertible Royalty	23,346	0.02
<b>Canadian Dollars Total</b>		<b>884,475</b>	<b>0.84</b>
<b>Great Britain Pounds</b>			
35,788,014	First Tin Limited (previously Anglo Saxony Mining Limited)	8,052,303	7.69
1,594,646	Celadon Mining Limited	15,946	0.02
24,004,167	Cemos Group plc	9,306,914	8.88
1,657,195	Tungsten West plc Second Option Share Warrants 18/10/2026	676,066	0.65
1,657,195	Tungsten West plc Third Option Share Warrants 18/10/2026	636,363	0.61
<b>Great Britain Pounds Total</b>		<b>18,687,592</b>	<b>17.85</b>
<b>Norwegian Krone</b>			
12,785,361	Nussir ASA	3,751,021	3.58
<b>Norwegian Krone Total</b>		<b>3,751,021</b>	<b>3.58</b>

**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT (CONTINUED)  
AT 31 DECEMBER 2021**

<b>Shares /Warrants/ Nominal</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b><u>Unlisted equity shares, warrants and royalties (Continued)</u></b>			
<b>United States Dollars</b>			
451,445	Bilboes Gold Limited	11,527,651	11.00
4,244,550	Gobi Coal & Energy Limited	147,337	0.14
56,042	Kanga Potash (formerly Sarmin Minerals Exploration)	4,249,921	4.06
16,352	Polar Acquisition Limited	7,830,273	7.47
<b>United States Dollars Total</b>		<b>23,755,182</b>	<b>22.67</b>
<b>Total unlisted equity shares, warrants and royalties</b>		<b>64,814,381</b>	<b>61.86</b>
<b>Financial assets held at fair value through profit or loss</b>		<b>103,685,593</b>	<b>98.94</b>
<b>Other Assets &amp; Liabilities</b>		<b>1,113,363</b>	<b>1.06</b>
<b>Total Equity</b>		<b>104,798,956</b>	<b>100.00</b>

### **STRATEGIC REPORT**

#### **Company Structure**

The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (“POI Law”) and the Registered Collective Investment Scheme Rules and Guidance, 2021 issued by the Guernsey Financial Services Commission (“GFSC”). The Company is not authorised or regulated as a collective investment scheme by the Financial Conduct Authority. The Company is subject to the Listing Rules and the Disclosure and Transparency Rules of the UK Listing Authority.

The Articles of the Company contain provisions as to the life of the Company. At the Annual General Meeting (“AGM”) falling in 2018 and at each third AGM convened by the Board thereafter, the Board will propose a special resolution to discontinue (the Company) which if passed will require the Directors, within 6 months of the passing of the special resolution, to submit proposals to shareholders that will provide shareholders with an opportunity to realise the value of their Ordinary Shares. Shareholders voted against discontinuing the Company at the 2021 AGM, the next discontinuation vote will be held at the AGM in 2024 which is expected to be held in the third quarter of the year.

#### **Company Purpose and Values**

The purpose of the Company is to carry out business as an investment company and to provide returns to shareholders through achieving its investment objective as described on page 14.

The values of the Company are discussed and agreed upon by the Board. The Board seeks to run the Company with a culture of openness, high integrity and accountability. It aims to demonstrate these values through its behaviour both within itself and its dealings with its stakeholders. It seeks to act in the spirit of mutual respect, trust and fairness. The Board is robust in its challenge of the Investment Manager and other service providers but tries always to be constructive and collegiate. The Board expects its members to exhibit an independence of mind and not to be wary of asking difficult questions. Moreover, it expects and encourages its key service providers to exhibit similar values.

#### **Role and Composition of the Board**

The Board is the Company’s governing body; it sets the Company’s strategy and is collectively responsible for its long-term performance. The Board, which is comprised entirely of independent Non-Executive Directors, is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Company continue to be met. The Board also ensures that the Manager adheres to the investment restrictions described in the Company’s Prospectus and acts within the parameters set by it in any other respect. It also identifies and monitors the key risks facing the Company.

Investment activities are predominantly monitored through quarterly Board meetings at which the Board receives detailed reports and updates from the Investment Manager, who attends each Board meeting. Services from other key service providers are reviewed as appropriate. As government responses to Covid-19 continued to make travel for physical meetings impractical, the Board has made use of video conference facilities to maintain engagement with service providers.

Subject to meeting solvency requirements, if the Ordinary Shares trade at a discount in excess of 15 per cent to their NAV, the Board will consider whether the Company should buy back its own Ordinary Shares, taking into account the Company’s liquidity, conditions in the stock market and mining markets. Since the year-end the Company’s shares have fallen to a 26% discount at 31 March 2022. In any event, however, the Directors consider that the Company does not currently have sufficient surplus funds to buy back shares, irrespective of other considerations.

The Board continues to review the Company’s ongoing expenditure to ensure that the total costs incurred in the running of the Company remain competitive. An analysis of the Company’s costs, including management fees (which are based on the market capitalisation of the Company), Directors’ fees and general expenses, is submitted to each Board meeting.

As at 31 December 2021, the Board comprised four Directors (2020: four).

#### **Investment Management**

The Manager was appointed pursuant to a management agreement with the Company dated 31 March 2010 (the Management Agreement). Under the Management Agreement, the Manager acts as manager of the Company, subject to the overall control and supervision of the Directors and was authorised to appoint the Investment Manager to manage and invest the assets of the Company. The Manager is responsible for the payment of the fees of the Investment Manager. The Manager is a company incorporated in the Cayman Islands on 10 April 2002 with registration number 117030 and is an affiliate of the Investment Manager.

Baker Steel Capital Managers LLP acts as Investment Manager of the Company and was constituted in England and Wales on 19 December 2001. It is authorised and regulated by the Financial Conduct Authority in the United Kingdom. The Investment Manager is a limited liability partnership with registration number OC301191 and is an affiliate of the Manager. The Investment Manager has been appointed by the Company to act as its Alternative Investment Fund Manager (“AIFM”) and is responsible for the portfolio management and investment risk management of the Company. The Investment Manager manages the Company in accordance with the Alternative Investment Fund Managers Directives (“AIFMD”). The Investment Manager is a specialist natural resources asset management and advisory firm operating from its head office in London and its branch office in Sydney.

**STRATEGIC REPORT (CONTINUED)**

**Investment Management (continued)**

It has an experienced team of fund managers covering the precious metals, base metals and minerals sectors worldwide, both in relation to commodity equities and the commodities themselves.

The Directors formally review the performance of the Investment Manager on an annual basis and remain satisfied that the Investment Manager has the appropriate resources and expertise to manage the portfolio of the Company in the best interests of the Company and its shareholders.

**Investment Objective**

The Company's investment objective is to seek capital growth over the long-term through a focused, global portfolio consisting principally of the equities, loans or related instruments of natural resources companies. The Company invests predominantly in unlisted companies (i.e. those companies that have not yet made an initial public offering ("IPO")) but also in listed securities (including special situations opportunities and less liquid securities) with a view to making attractive investment returns through the uplift in value resulting from the development progression of the investee companies' projects and through exploiting value inherent in market inefficiencies and pricing anomalies.

**Investment Policy**

The core of the Company's strategy is to invest in natural resources companies, predominantly unlisted, that the Investment Manager considers to be undervalued and that have strong fundamentals and attractive growth prospects. Natural resources companies, for the purposes of the investment policy, are those involved in the exploration for and production of base metals, precious metals, bulk commodities, thermal and metallurgical coals, industrial minerals, energy and uranium, and include single-asset as well as diversified natural resources companies.

It is intended that unlisted investments be realised through an IPO, trade sale, management repurchase or other methods.

The Company focuses primarily on making investments in companies with producing and/or tangible assets such as resources and reserves that have been verified under internationally recognised standards for reporting, such as those of the Australasian Joint Ore Reserves Committee ("JORC"). The Company may also invest from time to time in exploration companies whose activities are speculative by nature.

The Company has flexibility to invest in a wide range of investments in addition to unlisted and listed equities and equity-related securities, including but not limited to commodities, convertible bonds, debt securities, royalties, options, warrants and futures. Derivatives may be used for efficient portfolio management, hedging and for the purposes of obtaining investment exposure. The Company may also have exposure from time to time to other companies within the wider resources and materials sector, including services companies, transport and infrastructure companies, utilities and downstream processing companies.

The Company may take legal or management control of a company from time to time. The Company may invest in other investment funds or vehicles, including any managed by the Manager or Investment Manager, where such investment would be complementary to the Company's investment objective and policy.

**Borrowing and Leverage**

The Company may, at the discretion of the Investment Manager, and within limits set by the Board, incur leverage for liquidity purposes by borrowing funds from banks, broker-dealers or other financial institutions or entities. The costs and impact of leverage, positive and negative will affect the operating results of the Company.

During the current and prior year, no leverage was used by the Company.

**Investment Restrictions**

There are no fixed limits on the allocation between unlisted and listed equities or equity-related securities and cash although, as a guideline, typically the Investment Manager will aim for the Company to be invested over the long-term as follows:

- between 40 and 100 per cent of the value of its gross assets in unlisted equities or equity-related securities;
- up to 50 per cent of the value of its gross assets in listed equities or equity-related securities;
- up to 10 per cent of the value of its gross assets in cash or cash-like holdings; and
- in 10 to 20 core positions to provide adequate diversification whilst retaining a focused core approach. Core positions will be between 5 per cent and 15 per cent of NAV as at the date of acquisition.

The actual percentage of the Company's gross assets invested in listed and unlisted equities and equity-related securities and cash and cash-like holdings and the number of positions held may fall outside these ranges from time to time. The portfolio may become focussed on fewer holdings as certain investments mature and increase in value. Once such investments are realised it is intended that the consideration will be reinvested in several new investments thereby diversifying the portfolio.



**STRATEGIC REPORT (CONTINUED)**

**Investment Restrictions (continued)**

Listed securities might exceed the above guideline following a significant number of IPOs or in certain market conditions and likewise cash balances may exceed the above guideline following the realisation of one or more investments or following the issue of new equity in the Company, pending investment or distribution of the proceeds.

The investment policy has the following limits:

- Save in respect of cash and cash-like holdings awaiting investment, and except as set out below, the Company will invest or lend no more than 20 per cent in aggregate of the value of its gross assets in or to any one particular company or group of companies, as at the date of the relevant transaction.
- No more than 10 per cent in aggregate of the value of the gross assets of the Company may be invested in other listed closed-ended investment funds, except for those which themselves have stated investment strategies to invest no more than 15 per cent of their gross assets in other listed closed-ended investment funds.

Where derivatives are used for investment exposure, these limits will be applied in respect of the investment exposures so obtained.

The Company will avoid (a) cross-financing between the businesses forming part of its investment portfolio and (b) the operation of common treasury functions between it and the investee companies. When deemed appropriate, the Company may borrow up to 10 per cent of NAV for temporary purposes such as settlement of mis-matches. Borrowings will not however be incurred for the purposes of any Share repurchases. Any material change in the investment objective, investment policy or borrowing policy will only be made with the prior approval of holders of Ordinary Shares by Ordinary Resolution. In the event of any breach of the investment restrictions the Investment Manager would report the breach to the Board and shareholders would be informed of any corrective action required.

No breaches of investment restrictions occurred during the year ended 31 December 2021.

**Hedging**

The Investment Manager will not normally hedge the exposure of the Company to currency fluctuations.

**Performance**

The Company monitors NAV against the EMIX Global Mining Index as a key performance indicator. An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement on page 3 to 4 and the Investment Manager's Report on pages 5 to 9.

**Principal risk and uncertainties**

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment company and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit Committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives.

Although the Board believes that it has a robust framework of internal controls in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are discussed in more detail below.

**Emerging Risks and Uncertainties**

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. The principal emerging risk was agreed to be climate change risk. Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The Board has implemented an ESG policy which has been developed from the Managers own ESG policy. The Company's ESG policy is available on its website.

The Board will continue to monitor the implications of growing ESG pressures as an emerging risk.

Since year-end, the invasion of Ukraine by Russia and resulting sanctions on Russia has increased the risk of investing in companies with interests in Russia. It has also increased the uncertainty around previous projections made by those companies, in the face of growing financial and operational constraints. As a result, the Company reduced its carrying values for Polar Acquisition Limited and Azarga Metals Corporation by 50% at the end of February 2022. There is also a growing risk that rising energy prices and disrupted supply chains could further fuel inflationary pressures. This, plus more aggressive monetary tightening that might be undertaken by central banks to curb inflation, raises the risk of a global recession.

**STRATEGIC REPORT (CONTINUED)**

**Principal risk and uncertainties (continued)**

**Market and financial risks**

Market risk arises from volatility in the prices of the Company's underlying investments which, in view of the Company's investment policy, are in turn particularly sensitive to commodity prices. Market risk represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board has set investment restrictions and guidelines to help mitigate this risk. These are monitored and reported on by the Investment Manager on a regular basis. Further details are disclosed in note 4 on pages 54 to 59.

The Company's investment activities also expose it to a variety of financial risks including in particular foreign currency risk. A sensitivity to foreign exchange is presented on pages 54 and 55.

**Portfolio management and Performance risks**

The Board is responsible for determining the investment strategy to allow the Company to fulfil its objectives and also for monitoring the performance of the Investment Manager to which has been delegated day to day discretionary management of the Company's portfolio. An inappropriate strategy may lead to poor performance. The investment policy of the Company allows for a highly focused portfolio which can lead to a concentration of risk. To manage this risk, the Investment Manager provides to the Board, on an ongoing basis, an explanation of the significant stock selection recommendations and the rationale for the composition of the investment portfolio. The Board mandates and monitors an adequate diversification of investments, both geographically and by commodity, in order to reduce the risks associated with particular sectors, based on the diversification requirements inherent in the Company's investment policy.

The Company invests in certain companies whose projects are located in emerging markets. In such countries governments can exercise substantial influence over the private sector and political risk can be a significant factor. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities markets and imposition of foreign exchange controls and investment restrictions. The Investment Manager and the Board take into account specific political and other such risks through its approach to pricing when entering into an investment, and seek to mitigate them by diversifying geographically.

The Company's ability to implement its investment policy depends on the Investment Manager's ability to identify, analyse and invest in investments that meet the Company's investment criteria. Failure by the Investment Manager to find additional investment opportunities meeting the Company's investment objectives and to manage investments effectively could have a material adverse effect on the Company's business, financial condition, and results of operations. The Company has no employees and, subject to oversight by the Board, is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's operating policies and strategies. The Company is subject to the risk that the Investment Manager or its key investment professionals will cease to be involved in the management of any part of the Company's assets and that no suitable replacement will be found. The Board regularly monitors the performance and capabilities of the Investment Manager and its key man risk plans.

There is the risk that the market capitalisation of the Company (on which the Investment Manager's fee is calculated) falls to such an extent that it will no longer be viable for the Investment Manager to provide the services that it currently provides. The Board monitors this possibility and, should it start to become an issue, would review it with the Investment Manager.

**Risk of a vote to wind-up the Company**

The Articles contain provisions for a special resolution of shareholders at the AGM in 2018 and every three years thereafter on whether to discontinue the Company. Should there be a catastrophic loss of value in the Company's assets, possibly as a result of the risks above, or merely a change in sentiment towards the mining sector generally by a sufficient proportion of investors, there is the risk of shareholders voting to wind-up the Company at that time. Because the Company's investments are largely unlisted it could then take a protracted amount of time to realise them or they may need to be sold at a discount to Fair Value if an accelerated timetable is required.

To be passed the discontinuation vote would require a majority of 75% of those shareholders voting. To understand the requirements of the Company's major shareholders, the Investment Manager regularly liaises with the Company's broker and meets major shareholders. The Chairman is also available to meet with shareholders as required.

In the event of a winding up of the Company, Shareholders will rank behind any creditors of the Company.

**STRATEGIC REPORT (CONTINUED)**

**Viability Statement**

In accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council (“FRC”) in July 2018 (the “UK Code”), the Directors, as advised by the Audit Committee, have assessed the prospects of the Company over 3 years, being the period one year after the next discontinuation vote at the AGM in 2024. The Board considers that this is an appropriate timeframe to assess the viability of the Company as, in relation to the types of investments the Company makes, three years generally provides sufficient time for major milestones to be reached on mining projects together with some realisations and new investments to be made by the Company. Beyond three years, the Board considers the mining and minerals markets to be too difficult to predict to be sufficiently helpful.

The Company has previously seen pressures from falls in commodity prices and a move by its share price to an increased discount to its NAV. The mining market is inherently cyclical and dependent on world economic output. Notwithstanding this, it is a feature of closed-ended investment companies such as BSRT that the greatest risk to viability is that the investments lose value to an extent where the expense ratio becomes excessive such that the Company becomes an unattractive investment proposition. In such conditions, it may also be a risk that liquidity (i.e. the ability to sell or realise cash from the portfolio, or raise borrowings should that be necessary) is insufficiently available to meet liabilities.

In the case of the Company, which has no gearing, the Investment Manager has conducted stress and sensitivity tests of future income and expenditure and the ability to realise assets, and it and the Board have concluded that, even in circumstances representing a deterioration in value of 50% of net assets and a complete inability to sell any of the unlisted assets in the portfolio, the Company should remain viable over the period one year following the 2024 AGM. The key factor in this assessment is that currently the Company’s greatest expense is the management fee which is calculated on the market capitalisation of the Company. Should net assets fall, market capitalisation would be expected to fall in line or at a higher rate, such that the costs of the Company would also fall. It is also assumed that the liquidity required over the three-year period and under the highly stressed conditions modelled, is largely provided by regular realisations of the Company’s listed equities. The Directors believe this to be reasonable given that the majority of these equities are regularly traded at sufficient volumes in the context of the very minor positions the Company’s holdings represent.

As a result, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

**Environmental, Social and Governance**

The Company believes that monitoring environmental, social and governance (“ESG”) factors is important not only to support sustainable and ethical investment but because ESG considerations are key for creating and maintaining shareholder value. The Company has developed an ESG Investment Policy which draws from international best practice and builds upon the principles and processes outlined in the United Nations Principles for Responsible Investment, of which the Investment Manager is a signatory. A copy of the Company’s ESG policy is available on the Company’s website.

ESG considerations are considered as an enhanced risk management tool and, as such, are incorporated into the Investment Manager’s investment decision process at multiple levels during stock screening and company analysis, as well as being directly addressed with company management during meetings and on-site visits. The Company is an active investor and will use its voting rights to influence company direction in a sustainable way where deemed appropriate. The Company considers that social and environmental responsibility, along with good governance, are an integral element of running a successful mining company. For example, the Nussir copper project in Norway aims to become the first zero carbon mine globally through being fully electric with the electricity generated from entirely renewable sources. The Company has used its representation on the Board of Nussir to actively promote this evolution to electrification.

**Non-Mainstream Pooled Investment**

The Directors intend to operate the Company in such a manner that its shares are not categorised as non-mainstream pooled investments.

**Future Developments**

The future performance of the Company depends upon the success of the Company’s investment strategy and, as to its share price and market rating, partly on investors’ view of mining related investments as an asset class. Further comments on the outlook for the Company can be found in the Chairman’s Statement on pages 3 and 4 and the Investment Manager’s Report on pages 5 to 9.

Signed on behalf of the Board of Directors by:



David Staples  
14 April 2022

### BOARD OF DIRECTORS

The Board of Directors is listed below. In 2018 the Board put in place a succession plan to refresh its membership while maintaining a degree of continuity. David Staples was appointed on 29 May 2019 and Fiona Perrott-Humphrey on 15 September 2020 through the succession planning. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed, as the Board believes that any decisions regarding tenure should consider the balance between the need for continuity of knowledge and experience, and the need periodically to refresh the Board's composition in terms of skills, diversity and length of service.

**Howard Myles:** Howard Myles currently acts as a non-executive director of a number of investment companies. Howard was a partner in Ernst & Young from 2001 until 2007 and was responsible for the Investment Funds Corporate Advisory team. He was previously with UBS Warburg from 1987 to 2001. Howard began his career in stockbroking in 1971 as an equity salesman and joined Touche Ross in 1975 where he qualified as a chartered accountant. In 1978 he joined W. Greenwell & Co. in the corporate broking team and in 1987 moved to SG Warburg Securities where he was involved in a wide range of commercial and industrial transactions in addition to leading UBS Warburg's corporate finance function for investment funds. He is a Fellow of the Institute of Chartered Accountants and of The Chartered Institute for Securities and Investments. Howard is a director of Aberdeen Latin American Income Fund Limited, Chelverton UK Dividend Trust plc and BBGI Global Infrastructure S.A. all of which are listed on the London Stock Exchange.

Howard is a member of the Company's Audit Committee. Notwithstanding that Howard's tenure extends beyond eleven years, the Board is satisfied that he continues to demonstrate independence of the Investment Manager.

**Charles Hansard:** Charles Hansard has over 40 years' experience in the investment industry as a professional and in a non-executive capacity. He currently serves as a non-executive director on a number of boards which include JJJ Moore part of the Moore Capital group of funds of which he was a director for 25 years. He is a director of NYSE listed Los Gatos Silver Inc and Electrum Ltd., a privately owned US gold exploration company. He formerly served as a director of Apex Silver Mines Ltd., where he chaired the finance committee during its capital raising phase and as chairman of the board of African Platinum Plc, which he led through reorganisation and feasibility prior to its sale to Impala Platinum. He commenced his career in South Africa with Anglo American Corporation and Fleming Martin as a mining analyst. He subsequently worked in New York as an investment banker for Hambros before returning to the UK to co-found IFM Ltd., one of the earliest European hedge fund managers. Charles holds a B.B.S. from Trinity College Dublin.

Notwithstanding that Charles's tenure extends beyond eleven years, the Board is satisfied that he continues to demonstrate independence of the Investment Manager.

**Fiona Perrott-Humphrey:** Fiona Perrott-Humphrey has over 30 years' experience in the mining finance industry in London. She moved to the UK in 1987 after a period in academia in South Africa, and over the next 15 years, was a rated mining analyst for a number of stockbroking firms including James Capel, Cazenove and Citigroup (the latter as head of European Mining Research). After leaving full time broking, Fiona has had a portfolio of roles drawing on her experience of covering the global mining sector. She is a founder of a mining strategic consulting business, and director of AIM Mining Research and in 2007 published a book entitled Understanding Junior Miners. In 2004, she was appointed Adviser to the Mining team at Rothschild and Co. Fiona was a non-executive director of Dominion Diamonds, located in northern Canada, for two years from 2014. She is invited to present regularly at global mining conferences.

Fiona is a member of the Company's audit committee.

**David Staples:** David Staples worked for PWC in London for 25 years, including 13 years as Partner. He has many years' experience serving on boards of listed and private companies as a non-executive director, including as chairman of listed investment companies. David has a BSc in Economics and Accounting, is a Fellow Chartered Accountant, a Chartered Tax Adviser and a holder of the Institute of Directors' Certificate in Company Direction. He is a Director of Ruffer Investment Company Limited and NB Global Monthly Income Fund, both of which are listed on the London Stock Exchange. He is also chairman of the general partner companies of private equity funds advised by Apax Partners.

David is the Chairman of the Audit Committee.

**DIRECTORS' REPORT**

**For the year ended 31 December 2021**

The Directors of the Company present their eleventh annual report and the audited financial statements (the "Annual Report") for the year ended 31 December 2021.

The Directors' Report contains information that covers this period and the period up to the date of publication of this Report. Please note that more up to date information is available on the Company's website [www.bakersteelresourcestrust.com](http://www.bakersteelresourcestrust.com).

**Status**

Baker Steel Resources Trust Limited (the "Company") is a closed-ended investment company with limited liability incorporated on 9 March 2010 in Guernsey under the Companies (Guernsey) Law, 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020, ("POI Law") and the Registered Collective Investment Scheme Rules and Guidance, 2021 issued by the Guernsey Financial Services Commission ("GFSC"). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange, Premium Segment.

**Investment Objective**

Details of the Company's investment objectives and policies are described in the Strategic Report on page 14.

**Performance**

In the year to 31 December 2021, the Company's NAV per Ordinary Share increased by 1.20% (2020: 31.5%). This compares with a rise in the EMIX Global Mining Index (capital return in Sterling terms) of 5.0% (2020: 22.2%). A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 5 to 9.

The results for the year are shown in the Statement of Comprehensive Income on pages 39 and 40 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 38.

**Dividends and distribution policy**

During the year ended 31 December 2015 the Board introduced a capital returns policy whereby, subject to applicable laws and regulations, it will allocate cash for distributions to shareholders. The amount to be distributed will be calculated and paid following publication of the Company's audited financial statements for each year and will be no less than 15% of the aggregate net realised cash gains (after deducting losses) in that financial year. The Board will retain discretion for determining the most appropriate manner to make such distribution which may include share buybacks, tender offers and dividend payments. In the longer term the Board intends to formulate a more regular dividend policy once it starts to receive income from its royalty interests. As there was no net realised cash gain during the year, the Board has determined that there will not be any distribution in respect of the year ended 31 December 2021.

**Directors and their interests**

The Directors of the Company who served during the year and up until the date of signing of the financial statements are:

Howard Myles (Chairman)  
Charles Hansard  
Fiona Perrott-Humphrey  
David Staples

Biographical details of each of the Directors who were on the Board of the Company at the time of signing The Annual Report are presented on page 18 of the Annual Report.

**DIRECTORS' REPORT (CONTINUED)****For the year ended 31 December 2021****Directors and their interests (continued)**

Each of the Directors is considered to be independent in character and judgement.

Each Director is asked to declare his interests at each Board Meeting. No Director has any material interest in any other contract which is significant to the Company's business.

On 26 April 2021, David Staples purchased 35,000 shares in the Company. Mr Staples also holds 30,000 shares in Tungsten West PLC, one of the Company's core assets. No other Director has a beneficial interest in the Company or any of its investee companies.

**Authorised Share Capital**

The share capital of the Company on incorporation was represented by an unlimited number of Ordinary Shares of no par value. The Company may issue an unlimited number of shares of a nominal or par value and/or of no par value or a combination of both.

**Shares in issue**

The Company was admitted to trading on the London Stock Exchange on 28 April 2010. On that date, 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares were issued pursuant to a placing and offer for subscription and 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares were issued pursuant to a Scheme of Reorganisation of Genus Capital Fund.

In addition, 10,000 Management Ordinary Shares were issued.

In May 2019, the Company enacted a tender offer for 9,677,478 Ordinary Shares at 51 pence per share. The repurchased shares were cancelled.

The Company had a total of 106,453,335 Ordinary and 9,167 Management Ordinary Shares in issue as at 31 December 2021, of which 700,000 Ordinary Shares were held in Treasury.

**Significant Shareholdings**

As at 31 December 2021, the Company had received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

<b>Ordinary Shareholder</b>	<b>Number of Ordinary Shares 000's</b>	<b>% of Total Shares in issue</b>
The Sonya Trust	12,722	11.95
Northcliffe Holdings Pty Limited	12,452	11.70
Overseas Asset Management	12,436	11.68
Premier Miton Investors	9,100	8.55
RIT Capital Partners	7,767	7.30
Armstrong Investments	6,300	5.92
Baker Steel Capital Managers	4,923	4.62
Hargreaves Lansdown Asset Management	3,964	3.72
Interactive Investor	3,946	3.71
Charles Stanley	3,197	3.00

The Investment Manager, Baker Steel Capital Managers LLP had an interest in 9,167 Management Ordinary Shares at 31 December 2021 (31 December 2020: 9,167).

Baker Steel Global Funds SICAV – Precious Metals Fund ("Precious Metals Fund") had an interest in 4,922,877 Ordinary Shares in the Company at 31 December 2021 (2020: 4,922,877). Precious Metals Fund has the same Investment Manager as the Company.

David Baker and Trevor Steel, Directors of the Manager, are interested in the shares held by Northcliffe Holdings Limited and The Sonya Trust respectively.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable Guernsey law, Listing Rules, Disclosures and Transparency Rules, UK Corporate Governance Code and generally accepted accounting principles.

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the position and performance of the business of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure and Transparency Rules of the UK Listing Authority;
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

**Auditor Information**

The Directors at the date of approval of this Report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the reasonable steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Going Concern**

The Directors, as advised by the Audit Committee, have made an assessment of the Company's ability to continue as a going concern and consider it appropriate to adopt the going concern basis of accounting. The discontinuation vote in 2021 was not passed and the next vote is in 2024. The Board are satisfied that it has the resources to continue in business for at least 12 months following the signing of these financial statements. As at 31 December 2021, approximately 5.7% of the Company's assets were represented by cash and unrestricted listed and quoted investments which are readily realisable. Although the Russian Invasion of Ukraine has resulted in a reduction in the carrying value of investments with a Russian nexus after the year end it is not expected that it will affect the Company's ability to operate on a normal basis. Neither of the two affected investments PAL and Azarga were expected to be realised or be a source of revenue in the next two years. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

**Related party transactions**

Transactions with related parties are based on terms equivalent to those that prevail in an arm's length transaction and are disclosed in Note 11.

**Corporate Governance Compliance**

The Company re-joined the Association of Investment Companies during 2021.

The Board has therefore considered the Principles and Provisions of the AIC Code of Corporate Governance (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Corporate Governance Compliance (continued)**

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code and therefore the UK Code except as where explained in the Annual Report.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Code includes provisions relating to:

- The role of the Chief Executive
- Executive Directors' remuneration
- The requirement for a senior Independent Director
- Nomination and Remuneration Committees
- The requirement for an internal audit function

The Board considers these provisions are not relevant for the Company as it is an externally managed investment entity. The Company has therefore not reported further in respect of these provisions. The Directors are all independent and non-executive and the Company does not have employees, hence no Chief Executive is required for the Company. The Board is satisfied that any relevant issues can be properly considered by the Board as explained further on the following pages.

There have been no other instances of non-compliance, other than those noted above.

**Operation and composition of the Board**

- Composition and Independence

The Board has no executive directors and has contractually delegated responsibility to service providers for the management of the Company's investment portfolio, the arrangement of custodial and cash flow monitoring and oversight services and the provision of accounting and company secretarial services. The Company has no employees.

The Board consists entirely of independent non-executive Directors, of whom Howard Myles is the Chairman. Each of the Directors confirms that they have no other significant commitments that adversely impact on their ability to act for the Company and its shareholders, and that they have sufficient time to fulfil their obligations to the Company.

- Senior Independent Director

In view of its non-executive nature and small size, the Board considers that it is not necessary for a Senior Independent Director to be appointed.

- Appointment and re-election

The Company has a transparent procedure for the appointment and re-election of the Directors. There are no service contracts in place for the Directors.

The Directors are not required to retire by rotation. Instead each director puts himself forward for re-election on an annual basis at the AGM. The AGM also includes a resolution whereby shareholders are able to approve the maximum cumulative remuneration for the Board.

All the Directors are responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board.



**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Corporate Governance Compliance (continued)**

**Operation and composition of the Board (continued)**

Howard Myles and Charles Hansard have served as Directors for more than 9 years. The Board believes that both these directors continue to demonstrate independence of the Manager and to make a valuable contribution to the Company, and therefore recommends that shareholders vote in favour of their reappointment. The Board has a succession plan under which its membership will be refreshed over time and which has seen the retirement of Clive Newall and the appointment of David Staples in 2019 and Fiona Perrott-Humphrey in 2020. It is intended that further new appointments will be made in the course of the next two years. Specialists will be engaged as the Board consider necessary to assist with future appointments.

- **Information**

The Board receives full details of the Company's performance, assets, liabilities and other relevant information in advance of Board meetings, including information on regulatory and accounting developments.

- **Performance appraisal**

The performance of the Board and the Audit Committee is evaluated through a formal and rigorous assessment process led by the Chairman. The performance of the Chairman is evaluated by the other Directors.

- **Investment Manager assessment**

The Investment Manager was appointed pursuant to an investment management agreement with the Manager dated 31 March 2010 and which was amended and restated, with the Company joining as a party, on 14 November 2014 (the Investment Management Agreement). The Investment Manager is paid by the Manager and is not separately remunerated by the Company. The Investment Management Agreement pursuant to which the Company and the Manager have appointed the Investment Manager is terminable by any party giving the other parties not less than 12 months' written notice.

The Investment Manager prepares regular reports to the Board to allow it to review and assess the Company's activities and performance on an ongoing basis. The Board and the Investment Manager have agreed clearly defined investment criteria, exposure limits and specified levels of authority. The Board completes a formal assessment of the Investment Manager on an annual basis. The assessment covers such matters as the performance of the Company relative to its peers and sector, the management of investor relations and the reasonableness of fee arrangements. Based on its assessment it is the opinion of the Board that the continuation of the appointment of the Investment Manager is in the best interests of shareholders of the Company.

- **Board meetings**

The Board generally meets at least four times a year, at which time the Directors review the management and performance of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company. Between these quarterly meetings there is regular contact with the Investment Manager and Company Secretary. The Directors are kept fully informed of investment and financial controls and other matters which are relevant to the business of the Company and which should be brought to the attention of the Directors. The Directors also have direct access to the Company Secretary (through its appointed representatives who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with) and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

Attendance at the quarterly Board and Audit Committee meetings during the year was as follows:

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Howard Myles	4	4	4	4
Charles Hansard	4	4	n/a	n/a
Fiona Perrott-Humphrey	4	4	4	4
David Staples	4	4	4	4

In addition to the quarterly meetings, adhoc Board and committee meetings are convened as required. All Directors contribute to a significant exchange of views with the Investment Manager on specific matters, in particular in relation to developments in the portfolio.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Corporate Governance Compliance (continued)**

**Operation and composition of the Board (continued)**

- **Relations with Shareholders**

The Board believes that the maintenance of good relations with shareholders is vital for the long-term prospects of the Company. The Company's stockbrokers, Numis Securities Limited, and the Investment Manager are responsible for managing relationships with shareholders and each provides the Board with feedback on a regular basis that includes a shareholder contact report and any concerns the shareholder has raised. The Chairman and the Board are also available to meet with shareholders at the Company's Annual General Meeting or otherwise.

- **Engagement with key Stakeholders**

The Board considers its key stakeholders, along with its shareholders, to be the Company's Investment Manager, Administrator, Company Secretary and Stockbroker. Engagement with each Stakeholder is formalised by quarterly reporting at the Board Meetings but outside of the formal meetings, is continuous as required by the operations of the Company. The Board is very aware of the importance to the success of the Company of these key stakeholders and encourages open and frequent dialogue to facilitate improvements to the way that the Company functions.

- **Principal and Emerging Risks**

The Board has delegated responsibility for the assessment of its key risks to the Audit Committee. The Audit Committee has documented the key risks and controls in a detailed risk matrix and meets on a quarterly basis to update it and to assesses the adequacy and completeness of the controls. As the Audit Committee identifies changes that affect the risk profile of the Company it will recommend to the Board any actions required to effectively manage risk. More details on the Principal and Emerging Risks are presented in the Strategic Report.

- **Diversity**

The Board has no formal policy on diversity but is cognizant of the need to maintain a Board with a spectrum of skills appropriate for the specifics of the Company.

**Committees**

The Committees of the Board have formal Terms of Reference which are available on the Company's webpage <http://bakersteelresourcestrust.com/corporate-governance/>.

- **Audit Committee**

The Board has established an Audit Committee. The Audit Committee meets at least three times a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored and provides a forum through which the Company's external auditor may report to the Board. The Audit Committee operates within established terms of reference. The Directors consider there is no need for an internal audit function because the Company operates through service providers and the Directors receive control reports on its key service providers.

David Staples is Chairman of the Audit Committee with Fiona Perrott-Humphrey and Howard Myles as the other members. As Chairman of the Board, Howard Myles will not Chair the Audit Committee but is considered independent and therefore sits as a committee member.

- **Nomination, Remuneration and Management Engagement Committees**

Given the size and nature of the Company and the fact that all the Directors are independent and non-executive it is not deemed necessary to form separate Nomination, Remuneration, and Management Engagement Committees. The Board itself considers new Board appointments, remuneration and the engagement of service providers.

**Internal Controls**

The Board has delegated to service providers the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services.

Even though the Board has delegated responsibility for these functions, it retains accountability for them and is responsible for the systems of internal control. However, it has delegated the regular review and oversight of the systems of internal control to the Audit Committee which reports back to the Board following each Audit Committee meeting. At each quarterly Board meeting, compliance reports are provided by the Administrator and Investment Manager.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Corporate Governance Compliance (continued)**

**Operation and composition of the Board (continued)**

**Internal Controls (continued)**

The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Investment Manager and reviewed regularly by the Audit Committee which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls mitigating each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by its nature can only provide reasonable and not absolute assurance against misstatement and loss. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Audit Committee confirms to the Board that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board by way of reporting from the Audit Committee.

The Board therefore believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

**Director's Remuneration Policy**

All Directors are non-executive and in view of the relatively small size of the Board a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors who have the experience and qualities required to run the Company successfully. The Chairs of the Board and the Audit Committee are paid a higher fee in recognition of their additional responsibilities. The fee levels are reviewed annually, no changes to the fees were proposed at the last review.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors. No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors hold office until they retire or cease to be a director in accordance with the Articles of Incorporation or by operation of law.

The Directors recognise the benefits of diversity in terms of gender and ethnicity and will take these into account when considering future appointments to the Board. However, their principal criteria will remain the skills and experience of new directors and the Board will select the candidates whom it believes will add most value.

The Directors are remunerated for their services at such rate as the Directors determine provided that the aggregate amount of such fees may not exceed £200,000 per annum (or such sum as the Company in general meeting shall from time to time determine).

For the year ended 31 December 2021, the total remuneration of the Directors was £115,000 (2020: £115,136), with £28,750 (2020: £28,750) payable at the year end.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2021**

**Corporate Governance Compliance (continued)**

**Operation and composition of the Board (continued)**

**Director's Remuneration Policy (continued)**

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. The fees paid to each Director in respect of the years ended 31 December 2021 and 31 December 2020 are shown below.

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Howard Myles	35,000	35,000
David Staples	30,000	30,000
Charles Hansard	25,000	25,000
Clive Newall (resigned 15 September 2020)	-	17,731
Fiona Perrott-Humphrey (appointed 15 September 2020)	25,000	7,405

**Independent Auditors**

The auditors, BDO Limited, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

**Subsequent Events**

Please refer to Note 14 of the financial statements on page 63.

Signed on behalf of the Board of Directors by:



David Staples  
14 April 2022

**REPORT OF THE AUDIT COMMITTEE**  
**For the year ended 31 December 2021**

The function of the Audit Committee as described in its Terms of Reference is to ensure that the Company maintains high standards of integrity in its financial reporting and internal controls. David Staples is Chairman of the Audit Committee with Fiona Perrott-Humphrey and Howard Myles as the other members. As Chairman of the Board, Howard Myles will not Chair the Audit Committee but is considered independent and therefore sits as a committee member

The Audit Committee is appointed by the Board and all members are considered to be independent both of the Investment Manager and the external auditor. The Audit Committee meets a minimum of three times a year to discuss the Interim and Annual Report and Audited Financial Statements, the audit plan and engagement letter, and the Company's risks and controls, via discussion of its risk matrix. The Board is satisfied that the Audit Committee is properly constituted with members having recent and relevant financial experience, including two members who are chartered accountants.

The Board, advised by the Audit Committee considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code and the UK Code.

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company's on-going risk management systems and processes. The Company's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from all key service providers.

In the event of any deficiencies or breaches being reported, the Board would consider the actions required to remedy and prevent significant failings or weaknesses. During the year ended 31 December 2021, no significant weaknesses or failings were identified.

**Fraud, Bribery and Corruption**

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that they are not aware of any instances of fraud or bribery.

The Audit Committee considers the adequacy and security of the arrangements for the employees of its service providers to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee is satisfied it has the ability and resources to investigate any matters that are brought to its attention and to follow up on any conclusion reached by such investigation.

**Primary Areas of Judgement**

As part of its review of the Company's financial statements, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the financial statements and the mitigating controls to address these risks. The Audit Committee has determined that the key risk of misstatement is the valuation of investments for which there is no readily observable market price. Such investments are recorded at fair value which is the price that would be expected to be received to sell an asset in an orderly transaction between market participants at the measurement date. Significant judgements are required in respect of the valuation of the Company's investments for which there is no observable market price. Further information on the Company's methodologies is provided in Note 3 to the financial statements.

The risk is mitigated through the review by the Audit Committee and Board of detailed reports prepared by the Investment Manager on portfolio valuation including valuation methodology, the underlying assumptions and the valuation process.

The Investment Manager also provides information to the Audit Committee and Board on relevant market indices, recent transactions in similar assets and other relevant information to allow an assessment of appropriate carrying value having regard to the relevant factors.

The ultimate responsibility for ensuring that investments are carried at fair value lies with the Board.

**REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

**For the year ended 31 December 2021**

Through its meetings during the year ended 31 December 2021 and its review of the Company's Annual Report and Audited Financial Statements, the Audit Committee considered the following significant risks as well as the principal risks and uncertainties described on pages 15 and 16.

<b>Risk Considered</b>	<b>How addressed</b>
The accuracy of the Company's Annual Report and Financial Statements	Review of the Annual Report and Audited Financial Statements, discussions with the external auditor and meetings with the auditor to understand the audit approach and findings having regard to the level of materiality agreed with it.
Adequacy of the Company's accounting and internal controls systems	Consideration of the Company's risk matrix, taking account of the relevant risks, the potential impact to the Company and the mitigating controls in place. The Committee also reviews control and compliance reports in this respect and receives explanations of any breaches and how any control weaknesses have been addressed.
Valuation of the Company's investments, in particular the valuation of unquoted investments	Reports received from and discussed in depth with the Investment Manager providing support for the investment valuations. The Investment Manager reporting is then challenged and reconciled to the independent auditor's review of the investment valuations.
The effectiveness and independence of the external audit process	The Audit Committee has regular dialogue with the external auditor both before and during the audit process. The auditor presents to the Audit Committee at both the planning and audit review stage, and confirms its independence at each stage. The Audit Committee receives feedback from the Investment Manager on the audit process and any concerns or challenges faced.
Emerging risks	The Audit Committee discusses the Company's risk matrix each time it meets. Through these discussions emerging risks such as those caused by the Russian invasion of Ukraine are assessed. The matrix also documents long term implications for the sector from secular trends such as climate change.

The Audit Committee also provides a forum through which the Company's auditor reports to the Board. The Board, advised by the Audit Committee, approves all non-audit work carried out by the auditor in advance and the fees paid to the auditor in this respect.

**External Audit**

The Company's external auditor is BDO Limited ("BDO").

The fees due to the auditor during the year were as follows:

		<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
Audit fees	Audit Fees	58,500	54,000
Non-audit fees	Agreed Upon Procedures relating to the review of the Company's half year report	8,750	8,000
<b>Total Fees</b>		<b>67,250</b>	<b>62,000</b>

**REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

**For the year ended 31 December 2021**

The external auditor provides an audit planning report in advance of the annual audit. The Audit Committee has the opportunity to question and challenge the auditor in respect of their work. Based on levels of interaction with the auditor, and the assessment of auditor reporting, the audit planning, adherence to audit standards, competence of the audit team and feedback from the Investment Manager, the Audit Committee and the Board are satisfied that the reappointment of the external auditor should be proposed at the Annual General Meeting of the Company.

**Internal Audit**

The Audit Committee believes that the Company does not require an internal audit function because it delegates its day to day functions to market leading third party service providers, although the Audit Committee oversees these operations and receives regular control reports in this respect.

**Risk Management and Internal Controls**

The Board is responsible for the Company's system of internal controls and risk management. The Audit Committee has been delegated the responsibility for reviewing the ongoing effectiveness of the Company's internal controls and it discharges its duties in this area by assessing the nature and extent of the significant risks the Company is willing to accept in achieving the Company's objectives, and ensuring that effective systems of risk identification, assessment and mitigation have been implemented. The Strategic Report on pages 13 to 17 outlines the principal risks and uncertainties affecting the Company and the section on Internal Controls in the Directors Report on pages 19 to 26 gives details of the work performed by the Audit Committee in this area.

By their nature, the control mechanisms can only provide reasonable rather than absolute assurance against misstatement or loss. The Audit Committee seeks continual improvement in the Company's internal control mechanisms. The Audit Committee is not aware of any significant failings or weaknesses in the Company's internal controls in the year under review nor up to the date of this report.

**Financial Reporting**

The primary role of the Audit Committee in relation to financial reporting is to review the Annual Report and Financial Statements and the Half Year Report with the Administrator and the Investment Manager and assess their appropriateness. It focuses in this respect, amongst other matters, on:

- the clarity of the disclosures in the financial reporting and compliance with statutory, regulatory and other financial reporting requirements;
- the quality and acceptability of accounting policies and practices;
- material areas where significant judgements and estimates have been applied or where there has been discussion with the auditor; and
- taken as a whole, whether the financial statements are fair, balanced and understandable and provide shareholders with the necessary information to assess the Company's performance and strategy, reporting to the Board in this respect.

**Going Concern and Viability**

The Audit Committee has made an assessment of the Company's ability to continue as a going concern and of its viability, see pages 17 and 21 and has advised the Board accordingly.



**David Staples**

Audit Committee Chairman

14 April 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED**

**Opinion on the financial statements**

In our opinion, the financial statements of Baker Steel Resources Trust Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Company for the year ended 31 December 2021 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the paper prepared by those charged with governance and management in respect of going concern and discussing this with both the Directors and management;
- Examining management's cash flow forecasts for the twelve months from the approval of these financial statements and their stress tests of future income and expenditure and the ability to realise the Company's assets;
- Reviewing the key inputs into the cash flow forecasts to ensure that these were consistent with our understanding and the historic results of the company; and
- Reviewing the minutes of the Directors, the RNS announcements and the compliance reports for any indicators of concerns in respect of going concern.



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company’s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add, or draw attention to, in relation to the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Overview**

<b>Key audit matters</b>	<b>2021</b>	<b>2020</b>
	<i>Investment valuation and ownership</i>	<input type="checkbox"/> <input type="checkbox"/>
<b>Materiality</b>	<i>Financial statements as a whole</i>	
	£1.84m (2020: £1.815m) based on 1.75% (2020: 1.75%) of total assets.	

**An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We tailored the scope of our audit taking into account the nature of the Company's investments, involvement of the Manager and the company Administrator, the accounting and reporting environment and the industry in which the Company operates.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment, we considered the Company's interaction with the Manager and the company Administrator. We considered the control environment in place at the Manager and the company Administrator to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b><i>Valuation of and ownership of unlisted investments and listed investments subject to a lock up period, including unrealised gains/(losses).</i></b></p> <p>Refer to the accounting policies on pages 43 to 46 and Note 3 to the Financial Statements.</p> <p>95.29% (2020: 92.06%) of the carrying value of the investments relates to the Company's holdings in unlisted investments or listed investments subject to a lock up period, which are valued using different valuation techniques as explained in Note 3.</p> <p>The valuations are subjective, with a high level of judgment and estimation linked to the determination of fair value with limited third party pricing information available.</p> <p>As a result of the subjectivity, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model being used.</p> <p>The valuation of these investments is a key driver of the Company's net asset value and total return. Incorrect valuations could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders.</p>	<p><i>Our procedures included the following:</i></p> <p>For the listed investments we agreed the number of shares to the custodian.</p> <p>For all unlisted investments we agreed the number of warrants to the warrant instrument and obtained direct confirmation from the underlying investee for the holdings of other unlisted investments.</p> <p>For all unlisted investments:</p> <ul style="list-style-type: none"> <li>• We considered the processes, policies and methodologies used by management for determining the fair value of unlisted investments held by the Company;</li> <li>• Agreed the Manager’s application of valuation techniques as appropriate to the circumstances of the investment and the accounting policies applied; and</li> <li>• Agreed the valuation per the models to the financial statements.</li> </ul> <p>In respect of the investments using a valuation model, we: -</p> <ul style="list-style-type: none"> <li>• Obtained and challenged, through discussion and corroboration to external sources, the inputs and assumptions used in management’s model based on our understanding of the investment.</li> <li>• Agreed the inputs, for example volatility, resource prices, and tax rates, into the models to independent sources;</li> <li>• Evaluated whether all key terms of the underlying agreements had been considered within the models;</li> <li>• Performed an independent sensitivity analysis of certain inputs to identify and challenge, through discussion and corroboration to third party sources, in more detail, those which have the large impact on the valuation; and</li> <li>• Tested the mathematical accuracy of the models.</li> </ul> <p>For investments valued on an index valuation, we recalculated, using independently obtained information, management’s applied basket of indices for each investment.</p>

	<p>For those investments which used recent Investment as a basis, we considered if there were any material changes in the market or changes in the performance of the investee company affecting the fair value of the investment at year end.</p> <p>For listed investments subject to a lock up period we: -</p> <ul style="list-style-type: none"><li>• Obtained management's calculation of the appropriate discount to apply to the market price and the underlying model prepared to support this;</li><li>• Challenged the appropriateness of the model, based on standard practice valuation methods for investments subject to a lockup;</li><li>• Calculated our own discount, utilising an appropriate valuation model and external data sources obtained independently and compared with that of management; and</li><li>• Agreed the listed price to a third-party data source and reperformed the discount adjustment.</li></ul> <p><b>Key observation:</b></p> <p>Based on the procedures performed, we are satisfied that judgements applied in valuing the unlisted investments and listed investments subject to a lock up period are appropriate and the Company has valid ownership of these investments.</p>
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**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	<b>Company financial statements</b>	
	2021 £m	2020 £m
<b>Materiality</b>	1,838,000	1,815,000
<b>Basis for determining materiality</b>	1.75% of total assets	
<b>Rationale for the benchmark applied</b>	Due to it being an investment fund with the objective of long-term capital growth, with investment values being a key focus of users of the financial statements.	
<b>Performance materiality</b>	1,194,000	1,179,000
<b>Basis for determining performance materiality</b>	65% of materiality  This was determined using our professional judgement and took into account the complexity and our knowledge of the engagement, together with history of minimal historical errors and adjustments	

*Specific materiality*

We also determined that for investment income and sensitive fees, which include management fees, administration fees Directors’ fees and custodian fees, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 10% of materiality being £183,800 (2020: £181,500). We further applied a performance materiality level of 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

*Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £55,140 (2020: £54,000) and, for items audited to specific materiality, differences above £5,514 (2020: £5,400). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Financial Statements, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

We have nothing to report in this regard.

**Corporate governance statement**

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"><li>• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 21; and</li><li>• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why this period is appropriate set out on page 17.</li></ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"><li>• The Directors' statement on fair, balanced and understandable set out on page 21;</li><li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 21;</li><li>• The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 29; and</li><li>• The section of the Annual Report describing the work of the audit committee set out on page 24 and pages 27 to 29.</li></ul>

**Other Companies (Guernsey) Law, 2008 reporting**

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities within the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework such as IFRSs and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risks were related to revenue recognition on the Company's investments and the management bias and judgement involved in accounting estimates, specifically in relation to the valuation of investments (the response to which is detailed in our key audit matter above).

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Audit procedures performed by the engagement team to respond to the risks identified included:

- Discussion with and enquiry of management and those charged with governance concerning known or suspected instances of non-compliance with laws and regulations or fraud;
- Reading minutes of meetings of those charged with governance, correspondence with the Guernsey Financial Services Commission, internal compliance reports, complaint registers and breach registers to identify and consider any known or suspected instances of non-compliance with laws and regulations or fraud;
- For listed investments, recalculating investment income and realised and unrealised gains and losses in full based on external source information;
- For unquoted investments, recalculating realised and unrealised gains and losses in full. For investment income, the amounts were recalculated where based on an agreement. Where not agreement based, we obtained direct confirmation from the underlying unquoted investee companies in relation to investment income; and
- Performing analytical procedures of the mid-year net asset valuations, with a focus on reviewing and corroborating movements over a set threshold.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

The engagement Director on the audit resulting in this independent auditor's opinion is Justin Hallett.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER STEEL RESOURCES TRUST LIMITED (continued)**

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

For and on behalf of BDO Limited  
Chartered Accountants and Recognised Auditor  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey



Date  
14 April 2022

**BAKER STEEL RESOURCES TRUST LIMITED****STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>Assets</b>			
Cash and cash equivalents	9	1,077,482	424,140
Interest receivable	2(i)	249,445	684,184
Other receivables		22,132	19,628
Financial assets held at fair value through profit or loss	3	103,685,593	102,607,947
<b>Total assets</b>		<b>105,034,652</b>	<b>103,735,899</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Directors' fees payable	11	28,750	28,750
Management fees payable	7,11	122,894	110,825
Administration fees payable	6	10,638	35,000
Audit fees payable		58,500	54,000
Custodian fees payable		8,443	7,587
Other payables		6,471	8,338
<b>Total liabilities</b>		<b>235,696</b>	<b>244,500</b>
<b>Equity</b>			
Management Ordinary Shares	10	9,167	9,167
Ordinary Shares	10	75,972,688	75,972,688
Revenue Reserves		10,047,160	10,971,969
Capital Reserves		18,769,941	16,537,575
<b>Total equity</b>		<b>104,798,956</b>	<b>103,491,399</b>
<b>Total equity and liabilities</b>		<b>105,034,652</b>	<b>103,735,899</b>
Net Asset Value per Ordinary Share (in Pence) – Basic and Diluted	12	98.4	97.2

The financial statements on pages 38 to 63 were approved and authorised for issue by the Board of Directors on 14 April 2022 and signed on its behalf by:



David Staples



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Year ended 2021 Revenue £	Year ended 2021 Capital £	Year ended 2021 Total £
<b>Income</b>				
Interest income	2(i)	1,228,691	-	1,228,691
Dividend income	2(j)	45,880	-	45,880
Net gain on financial assets at fair value through profit or loss	3	-	2,254,094	2,254,094
Net foreign exchange loss		-	(21,728)	(21,728)
<b>Net income</b>		<b>1,274,571</b>	<b>2,232,366</b>	<b>3,506,937</b>
<b>Expenses</b>				
Management fees	7,11	1,587,121	-	1,587,121
Directors' fees	11	115,000	-	115,000
Administration fees	6	126,876	-	126,876
Other expenses	8	103,389	-	103,389
Depositary fees		41,336	-	41,336
Custody fees		62,628	-	62,628
Broker fees		35,000	-	35,000
Audit fees		67,250	-	67,250
Directors' Insurance		15,750	-	15,750
Directors' expenses		515	-	515
Legal fees		44,515	-	44,515
<b>Total expenses</b>		<b>2,199,380</b>	<b>-</b>	<b>2,199,380</b>
<b>Net (loss)/gain for the year</b>		<b>(924,809)</b>	<b>2,232,366</b>	<b>1,307,557</b>
<b>Net (loss)/gain for the year per Ordinary Share:</b>				
Basic and Diluted (in pence)	12	(0.87)	2.10	1.23

In the year ended 31 December 2021 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Statement of Comprehensive Income follows the recommendations of the AIC Statement of Recommended Practice and is provided for information purposes.

**BAKER STEEL RESOURCES TRUST LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		Year ended 2020 Revenue £	Year ended 2020 Capital £	Year ended 2020 Total £
<b>Income</b>				
Interest income	2(i)	1,703,620	-	1,703,620
Dividend income	2(j)	138,129	-	138,129
Net gain on financial assets at fair value through profit or loss	3	-	24,674,768	24,674,768
Net foreign exchange loss		-	(10,012)	(10,012)
<b>Net income</b>		<b>1,841,749</b>	<b>24,664,756</b>	<b>26,506,505</b>
<b>Expenses</b>				
Management fees	7,11	1,104,344	-	1,104,344
Directors' fees	11	115,136	-	115,136
Administration fees	6	114,250	-	114,250
Other expenses	8	123,918	-	123,918
Depositary fees		31,262	-	31,262
Custody fees		53,330	-	53,330
Broker fees		35,000	-	35,000
Audit fees		62,000	-	62,000
Directors' insurance and expenses		12,670	-	12,670
Legal fees		26,506	-	26,506
<b>Total expenses</b>		<b>1,678,416</b>	-	<b>1,678,416</b>
<b>Net gain for the year</b>		<b>163,333</b>	<b>24,664,756</b>	<b>24,828,089</b>
<b>Net gain for the year per Ordinary Share:</b>				
Basic and Diluted (in pence)	12	0.15	23.17	23.32

In the year ended 31 December 2020 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Statement of Comprehensive Income follows the recommendations of the AIC Statement of Recommended Practice and is provided for information purposes.

*The accompanying notes form an integral part of these audited financial statements*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Management Ordinary Shares £</b>	<b>Ordinary Shares £</b>	<b>Treasury Shares £</b>	<b>Revenue reserves £</b>	<b>Capital reserves £</b>	<b>Total equity £</b>
Balance as at 1 January 2020	<b>9,167</b>	<b>76,113,180</b>	<b>(140,492)</b>	<b>10,808,636</b>	<b>(8,127,181)</b>	<b>78,663,310</b>
Net gain for the year	-	-	-	163,333	24,664,756	24,828,089
<b>Balance as at 31 December 2020</b>	<b>9,167</b>	<b>76,113,180</b>	<b>(140,492)</b>	<b>10,971,969</b>	<b>16,537,575</b>	<b>103,491,399</b>
Net loss/gain for the year	-	-	-	(924,809)	2,232,366	1,307,557
<b>Balance as at 31 December 2021</b>	<b>9,167</b>	<b>76,113,180</b>	<b>(140,492)</b>	<b>10,047,160</b>	<b>18,769,941</b>	<b>104,798,956</b>
Note	10	10	10			

*The accompanying notes form an integral part of these audited financial statements*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Year ended 2021 £	Year ended 2020 £
<b>Cash flows from operating activities</b>			
Net gain for the year		1,307,557	24,828,089
<i>Adjustments to reconcile gain for the year to net cash used in operating activities:</i>			
Interest income		(1,228,691)	(1,703,620)
Dividend income		(45,880)	(138,129)
Net gain on financial assets at fair value through profit or loss	3	(2,254,094)	(24,674,768)
Net increase in receivables		(2,504)	(2,344)
Net (decrease)/increase in payables		(8,804)	31,766
		<b>(2,186,169)</b>	<b>(1,659,006)</b>
Interest received		903,607	615,510
Dividend received		45,880	138,129
<b>Net cash used in operating activities</b>		<b>(1,282,929)</b>	<b>(905,367)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss		(1,776,426)	(11,200,266)
Sale of financial assets at fair value through profit or loss		3,712,697	11,870,016
<b>Net cash provided by investing activities</b>		<b>1,936,271</b>	<b>669,750</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		653,342	(235,617)
Cash and cash equivalents at the beginning of the year		424,140	659,757
<b>Cash and cash equivalents at the end of the year</b>	9	<b>1,077,482</b>	<b>424,140</b>

*The accompanying notes form an integral part of these audited financial statements*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. GENERAL INFORMATION**

Baker Steel Resources Trust Limited (the “Company”) is a closed-ended investment company with limited liability incorporated and domiciled on 9 March 2010 in Guernsey under the Companies (Guernsey) Law, 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Registered Collective Investment Scheme Rules and Guidance, 2021 issued by the Guernsey Financial Services Commission (“GFSC”). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. The Company’s Ordinary and Subscription Shares were admitted to the Premium Listing Segment of the Official List on 28 April 2010.

The final exercise date for the Subscription Shares was 2 April 2013. No Subscription Shares were exercised at this time and all residual/unexercised Subscription Shares were subsequently cancelled.

The Company’s portfolio is managed by Baker Steel Capital Managers (Cayman) Limited (the “Manager”). The Manager has appointed Baker Steel Capital Managers LLP (the “Investment Manager”) as the Investment Manager to carry out certain duties. The Company’s investment objective is to seek capital growth over the long-term through a focused, global portfolio consisting principally of the equities, or related instruments, of natural resources companies. The Company invests predominantly in unlisted companies (i.e. those companies which have not yet made an Initial Public Offering (“IPO”)) and also in listed securities (including special situations opportunities and less liquid securities) with a view to exploiting value inherent in market inefficiencies and pricing anomalies.

Baker Steel Capital Managers LLP was authorised to act as an Alternative Investment Fund Manager (“AIFM”) of Alternative Investment Funds (“AIFs”) on 22 July 2014. On 14 November 2014, the Investment Manager signed an amended Investment Management Agreement with the Company, to take into account AIFM regulations. AIFMD focuses on regulating the AIFM rather than the AIFs themselves, so the impact on the Company is limited.

On 16 July 2021 the Company re-joined the Association of Investment Companies (“AIC”).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements have been prepared on a historical cost basis except for Financial Instruments at Fair Value Through Profit or Loss (“FVTPL”) in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The financial statements have been prepared on a going concern basis.

The Company's functional currency is the Great Britain pound Sterling (“£”), being the currency in which its Ordinary Shares are issued and in which returns are made to shareholders. The presentation currency is the same as the functional currency. The financial statements have been rounded to the nearest £. The Company invests in companies around the world whose shares are denominated in various currencies.

Income encompasses both revenue and capital gains/losses. For a listed investment company, it is best practice to distinguish revenue from capital. Revenue includes items such as dividends, interest, fees and other equivalent items. Capital is the return, positive or negative, from holding investments other than that part of the return that is revenue. The format of the Statement of Comprehensive Income follows the recommendations of the AIC Statement of Recommended Practice and is provided for information purposes.

Assets and liabilities are presented in order of liquidity. Their maturities are disclosed in Note 4(c).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Basis of preparation (continued)**

**New standards, amendments and interpretations to existing standards which are not yet effective for the current year**

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for periods starting on or after 1 January 2022).
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for periods starting on or after 1 January 2022).
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) (effective for periods starting on or after 1 January 2022).
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective for periods starting on or after 1 January 2022).
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective for periods starting on or after 1 January 2023).
- Definition of Accounting Estimates - Amendments to IAS 8 (effective for periods starting on or after 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective for periods starting on or after 1 January 2023).
- IFRS 17 Insurance Contracts (effective for periods starting on or after 1 January 2023).
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for periods starting on or after 1 January 2023).

**New standards, amendments and interpretations to existing standards which are effective for the current year**

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2021 and were adopted from their effective date. These amendments did not have a significant impact on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) IFRS 9 Financial Instruments**

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

**Classification and measurement of financial assets and financial liabilities**

A financial asset or liability is measured at amortised cost if it meets both of the following conditions and are not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the Company are measured at FVTPL, except for cash and cash equivalents which are measured at amortised cost.

All financial liabilities of the Company are measured at amortised cost.

**Impairment of financial assets**

Under IFRS 9 for trade receivables the Company has applied the simplified model. Under the simplified approach the requirement is to always recognise lifetime expected credit loss (“ECL”). Under the simplified approach there is no need to monitor significant increases in credit risk and measure lifetime ECLs at all times. The interest receivable is in respect of the Convertible loan notes, a list of which is presented in Note 4(c) on Page 58 of the Annual Report, and no provision has been made for credit losses. This is on the basis that the fair value of the underlying asset supports the convertible receivable.

For other receivables, the Directors have concluded that any ECL on these receivables would be highly immaterial.

**c) Significant accounting judgements and estimates**

The preparation of the Company’s financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

**(i) Judgements**

In the process of applying the Company’s accounting policies, the Directors have made the following judgements, which have had the most significant effect on the amounts recognised in the financial statements:

**Going Concern**

As described in the Directors’ Report, the Directors have made an assessment of the Company’s ability to continue as a going concern and considered it appropriate to adopt the going concern basis of accounting. There was a discontinuation vote in 2021 which was not passed. The next discontinuation vote will be at the AGM in 2024. Particular regard has been given to the fact that the Company holds listed securities that can if necessary be realised to meet liabilities as they become due. As at 31 December 2021, approximately 5.7% of the Company’s assets were represented by cash and unrestricted quoted investments. Although the Russian Invasion of Ukraine has resulted in a reduction in the carrying value of investments with a Russian nexus after the year end it is not expected that it will affect the Company’s ability to operate on a normal basis. Neither of the two affected investments PAL and Azarga were expected to be realised or be a source of revenue in the next two years. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

**(ii) Estimates and assumptions**

The key assumptions concerning the future and other key sources of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Please refer to Note 3 for further information.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Significant accounting judgements and estimates (continued)**

**(iii) Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the instruments are disclosed in the fair value hierarchy. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis or stress testing techniques. The Russian invasion of Ukraine may have an impact on future valuations, however this is a non-adjusting Post Balance Sheet Event and therefore no impact has been taken into account in the valuations as at 31 December 2021. Please refer to Note 14 for further information. Investments in associates are carried at fair value as they are held as part of the investment portfolio which is valued on a fair value basis.

**d) Interest income and expense**

Bank interest income and interest expense are recognised on an accruals basis using the effective interest method.

**e) Expenses**

All expenses are recognised on an accruals basis.

**f) Translation of foreign currencies**

Foreign currency transactions during the year are translated into Sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the Statement of Financial Position date. Exchange differences including those arising from adjustment to fair value of financial instruments during the year, are included in the Statement of Comprehensive Income. The foreign exchange movements relating to financial assets form part of the fair value movement in the Statement of Comprehensive Income.

**g) Segment information**

The Directors are of the opinion that the Company is engaged in a single segment of business: investing in natural resources companies.

**h) Net asset value per share**

Net Asset Value per Ordinary Share disclosed on the face of the Statement of Financial Position is calculated in accordance with the Company's Prospectus by dividing the net assets of the Company on the Statement of Financial Position date by the number of Ordinary Shares (including the Management Ordinary Shares) outstanding at that date. Treasury Shares are excluded from the Net Asset Value per Ordinary Share calculation.

**i) Interest on investments**

These comprise of interest accrued and interest received from convertible loans where interest is payable throughout the life of the instrument which are accounted for on an accruals basis and recognised in the Statement of Comprehensive Income.

**j) Dividend income**

Dividend income is accrued on an ex-dividend basis and recognised in the Statement of Comprehensive Income and is presented net of withholding tax. No withholding taxes were suffered during the year (2020: £Nil).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<b>Investment Summary:</b>	<b>Year ended 2021</b>	<b>Year ended 2020</b>
	<b>£</b>	<b>£</b>
Opening book cost	81,003,041	74,539,152
Purchases at cost	2,536,249	12,871,078
Proceeds on sale of investments	(3,712,697)	(11,870,016)
Net realised gains	3,084,294	5,462,827
Closing cost	82,910,887	81,003,041
Net unrealised gains	20,774,706	21,604,906
<b>Financial assets held at fair value through profit or loss</b>	<b>103,685,593</b>	<b>102,607,947</b>

The following table analyses net gains on financial assets at fair value through profit or loss for the years ended 31 December 2021 and 31 December 2020.

	<b>Year ended 2021</b>	<b>Year ended 2020</b>
	<b>£</b>	<b>£</b>
<b>Financial assets at fair value through profit or loss</b>		
<i>Realised (losses)/gains on:</i>		
- Listed equity shares	(792,604)	5,462,245
- Debt instruments	3,893,470	582
- Warrants	(16,572)	-
	3,084,294	5,462,827
<i>Movement in unrealised gains/(losses) on:</i>		
- Listed equity shares	4,589,432	(2,924,836)
- Unlisted equity shares	1,571,711	10,821,831
- Royalties	1,943,286	(428,348)
- Debt instruments	(10,157,233)	11,731,267
- Warrants	1,222,604	12,027
	(830,200)	19,211,941
<b>Net gain on financial assets at fair value through profit or loss</b>	<b>2,254,094</b>	<b>24,674,768</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2021.

	<b>Quoted prices in active markets Level 1 £</b>	<b>Quoted market based observables Level 2 £</b>	<b>Unobservable inputs Level 3 £</b>	<b>Total £</b>
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	4,879,486	14,064,224	-	18,943,710
Unlisted equity shares	-	-	46,971,239	46,971,239
Royalties	-	-	16,479,049	16,479,049
Warrants	-	-	1,364,093	1,364,093
Debt instruments	-	-	19,927,502	19,927,502
	<b>4,879,486</b>	<b>14,064,224</b>	<b>84,741,883</b>	<b>103,685,593</b>

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2020.

	<b>Quoted prices in active markets Level 1 £</b>	<b>Quoted market based observables Level 2 £</b>	<b>Unobservable inputs Level 3 £</b>	<b>Total £</b>
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	7,185,851	-	-	7,185,851
Unlisted equity shares	-	-	36,987,733	36,987,733
Royalties	-	-	14,512,762	14,512,762
Warrants	-	-	141,489	141,489
Debt instruments	-	-	43,780,112	43,780,112
	<b>7,185,851</b>	<b>-</b>	<b>95,422,096</b>	<b>102,607,947</b>

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in net gain on financial assets and liabilities at fair value through profit or loss held at 31 December 2021.

<b>31 December 2021</b>	<b>Unlisted Equities £</b>	<b>Royalties £</b>	<b>Debt instruments £</b>	<b>Warrants £</b>	<b>Total £</b>
Opening balance 1 January 2021	36,987,733	14,512,762	43,780,112	141,489	95,422,096
Purchases of investments	300,143	23,000	541,140	-	864,283
Sales of investments	-	-	(399,576)	16,572	(383,004)
Conversion*	11,987,827	-	(12,730,410)	-	(742,583)
Transfer out of Level 3	(3,876,175)	-	(5,000,000)	-	(8,876,175)
Change in net unrealised gains/losses	1,571,711	1,943,286	(10,157,233)	1,222,604	(5,419,632)
Realised gains	-	-	3,893,470	(16,572)	3,876,898
Closing balance 31 December 2021	<b>46,971,239</b>	<b>16,479,048</b>	<b>19,927,503</b>	<b>1,364,093</b>	<b>84,741,883</b>
Unrealised gains on investments still held at 31 December 2021	<b>7,686,978</b>	<b>4,689,071</b>	<b>2,948,246</b>	<b>1,350,968</b>	<b>16,675,263</b>

\*Conversion of Futura and Anglo Saxony debt into Level 3 equity positions and Mines & Metal Trading into Silver X and therefore a Level 1 investment.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in net gain on financial assets and liabilities at fair value through profit or loss held at 31 December 2020.

<b>31 December 2020</b>	<b>Unlisted Equities £</b>	<b>Royalties £</b>	<b>Debt instruments £</b>	<b>Warrants £</b>	<b>Total £</b>
Opening balance 1 January 2020	24,780,551	14,019,975	29,293,224	116,337	68,210,087
Purchases of investments	1,519,012	921,135	2,818,227	13,125	5,271,499
Sales of investments	-	-	(63,188)	-	(63,188)
Transfer to Level 1	(133,661)	-	-	-	(133,661)
Change in net unrealised gains	10,821,831	(428,348)	11,731,267	12,027	22,136,777
Realised gains	-	-	582	-	582
Closing balance 31 December 2020	<u>36,987,733</u>	<u>14,512,762</u>	<u>43,780,112</u>	<u>141,489</u>	<u>95,422,096</u>
Unrealised gains on investments still held at 31 December 2020	<u>9,366,113</u>	<u>2,745,785</u>	<u>13,105,480</u>	<u>128,364</u>	<u>25,345,742</u>

It is the Company's policy to recognise a change in hierarchy level when there is a change in the status of the investment, for example when a listed company delists or vice versa, or when shares previously subject to a restriction have that restriction released. The transfers between levels are recorded either on the value of the investment immediately after the event or the carrying value of the investment at the beginning of the financial year. Mines & Metals Trading (Peru) Plc merged with Silver X Mining Corp (Silver X) on 23 June 2021. The shares of Silver X are traded on the Toronto Stock Exchange and accordingly the investment has been transferred from Level 3 to Level 1 in these financial statements. Tungsten West listed on the AIM Market in the UK on 21 October 2021, however as the Company's investment is locked up for 12 months from the time of listing, the shares are carried at a discount to the market price and a Level 2 classification has therefore been applied to the shares.

In determining an investment's position within the fair value hierarchy, the Directors take into consideration the following factors:

Investments whose values are based on quoted market prices in active markets are classified within Level 1. These include listed equities with observable market prices. The Directors do not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price. The Company does not and neither did it during the year hold a sufficiently large position in any listed company classified as Level 1 that it could impact the quoted price via a sale of its investment.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain less-liquid listed equities. Level 2 investments are valued with reference to the listed price of the shares should they be freely tradable after applying a discount for liquidity if relevant. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company had one Level 2 investments at 31 December 2021 (31 December 2020: none).

Investments classified within Level 3 have significant unobservable inputs. They include unlisted debt instruments, unlisted equity shares and warrants. Level 3 investments are valued using valuation techniques explained below. The inputs used by the Directors in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments if representative in volume and nature, completed or pending third-party transactions in the underlying investment of comparable issuers, subsequent rounds of financing, recapitalisations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted with a discount to reflect illiquidity and/or non-transferability in the absence of market information.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

**Valuation methodology of Level 3 investments**

The primary valuation technique is of “Latest Recent Transaction” being either recent external fund raises or transactions. In all cases the valuation considers whether there has been any change since the transaction that would indicate the price is no longer fair value. Where an unquoted investment has been acquired or where there has been a material arm’s length transaction during the past six months it will be carried at transaction value, having taken into account any change in market conditions and the performance of the investee company between the transaction date and the valuation date. Where there has been no Latest Recent Transaction the primary valuation driver is IndexVal. For each core unlisted investment, the Company maintains a weighted average basket of listed companies which are comparable to the investment in terms of commodity, stage of development and location (“IndexVal”). IndexVal is used as an indication of how an investment’s share price might have moved had it been listed. Movements in commodity prices are deemed to have been taken into account by the movement of IndexVal.

A secondary tool used by Management to evaluate potential investments as well as to provide underlying valuation references for the Fair Value already established is Development Risk Adjusted Value (“DRAV”). DRAVs are not a primary determinant of Fair Value. The Investment Manager prepares discounted cash flow models for the Company’s core investments annually taking into account significant new information, and for decision making purposes when required. From these, DRAVs are derived. The computations are based on consensus forecasts for long term commodity prices and investee company management estimates of operating and capital costs. The Investment Manager takes account of market, country and development risks in its discount factors. Some market analysts incorporate development risk into the discount rate in arriving at a net present value (“NPV”) rather than establishing an NPV discounted purely for cost of capital and country risk and then applying a further overall discount to the project economics dependent on where such project sits on the development curve per the DRAV calculations.

The valuation techniques for Level 3 investments can be divided into six groups:

*i. Transactions & Offers*

Where there have been transactions within the past 6 months either through a capital raising by the investee company or known secondary market transactions, representative in volume and nature and conducted on an arm’s length basis, this is taken as the primary driver for valuing Level 3 investments, having taken into account of any change in market conditions and the performance of the investee company between the transaction date and the valuation date. This includes offers, binding or otherwise from third parties around the year end which may not have completed prior to the year-end but have a high chance of success and are considered to represent the situation at year end.

*ii. IndexVal*

Where there have been no known transactions for 6 months, at the Company’s half year and year end, movements in IndexVal will generally be taken into account in assessing Fair Value where there has been at least a 10% movement in IndexVal over at least a six-month period. The IndexVal results are used as an indication of trend and are viewed in the context of investee company progress and any requirement for finance in the short term for further progression.

*iii. Royalty Valuation Model*

The rights to receive royalties are valued on projected cashflows taking into account expected time to production and development risk and adjusted for movement in commodity prices.

*iv. EBITDA Multiple*

In the case of Cemos Group plc, which moved to full production during 2020 and so could reflect maintainable earnings, its main asset is a cement plant with no defined life like a mining project and therefore has been valued on the basis of a multiple of a blend of historical and forecast earnings before interest, tax, depreciation and amortisation (“EBITDA”) when compared to listed comparable cement producers.

*v. Warrants*

Warrants are valued using a simplified Black Scholes model taking into account time to expiry, exercise price and volatility. Where there is no established market for the underlying shares the average volatility of the companies in that investment’s basket of IndexVal comparables is utilised in the Black Scholes model.

*vi. Convertible loans*

Convertible loans are valued at fair value through profit or loss, taking into account credit risk and the value of the conversion aspect.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**
**Quantitative information of significant unobservable inputs – Level 3**

Description	2021 £	Valuation technique	Unobservable input	Range of unobservable input (weighted average)
Unlisted Equity	20,914,006	Transactions	Private transactions	n/a
Unlisted Equity	16,587,037	IndexVal	Change in index	n/a
Unlisted Equity	9,306,914	EBITDA Multiple	EBITDA Multiple	n/a
Royalties	16,479,048	Royalty Valuation model	Commodity price and discount rate risk	n/a
Unlisted Equity	163,284	Other	Exploration results, study results, financing	n/a
<b>Debt Instruments</b>				
Black Pearl Limited Partnership	1,292,467	Valued at mean estimated recovery	Estimated recovery range	+/-50%
Other Convertible Debentures/Loans	2,157,657	IndexVal	Change in Index	n/a
Other Convertible Debentures/Loans	16,477,378	Valued at fair value with reference to credit risk	Rate of Credit Risk	20%-40%
<b>Warrants</b>	1,364,093	Simplified Black Scholes Model	Volatilities	50%
Description	2020 £	Valuation technique	Unobservable input	Range of unobservable input (weighted average)
Unlisted Equity	27,236,964	Transactions	Private transactions	n/a
Unlisted Equity	2,790,916	IndexVal	Change in index	n/a
Unlisted Equity	6,943,907	EBITDA Multiple	EBITDA Multiple	n/a
Royalties	14,512,762	Royalty Valuation model	Commodity price and discount rate risk	n/a
Unlisted Equity	15,946	Other	Exploration results, study results, financing	n/a
<b>Debt Instruments</b>				
Black Pearl Limited Partnership	1,281,629	Valued at mean estimated recovery	Estimated recovery range	+/-50%
Other Convertible Debentures/Loans	13,070,904	Transactions	Private transactions	n/a
Other Convertible Debentures/Loans	29,427,579	Valued at fair value with reference to credit risk	Rate of Credit Risk	20%-40%
<b>Warrants</b>	141,489	Simplified Black Scholes Model	Volatilities	50%

Information on third party transactions in unlisted equities is derived from the Investment Manager's market contacts. The change in IndexVal for each particular unlisted equity is derived from the weighted average movements of the individual baskets for that equity so it is not possible to quantify the range of such inputs.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**
**Sensitivity analysis to significant changes in unobservable inputs within Level 3 investments**

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2021 are as shown below:

<b>Description</b>	<b>Input</b>	<b>Sensitivity used</b>	<b>Effect on Fair Value (£)</b>
Unlisted Equity	Transactions & Expected Transactions	+/- 10%	+/- 2,091,401
Unlisted Equity	Change in IndexVal	+101%/-57%*	+ 16,752,907/-9,454,611
Unlisted Equity	EBITDA Multiple	+/- 20%	+/-1,861,383
Royalties	Commodity Price	+/-20%	+/- 3,291,141
Royalties	Discount Rate	+/-20%	+/- 4,788,365
<b>Debt Instruments</b>			
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/- 426,514
Others/Loans	Risk discount rate	+/-20%	-2,417,009/+1,292,006
Convertibles /Loans	Volatility	+/-40%	+704,696/-262,075
<b>Warrants</b>	Volatility	+/-40%	-36,769,+56,488

\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The +101%/-57% sensitivity was used as this was the range of movements of the constituents in the IndexVal baskets for Bilboes Gold, Kanga Potash and Prism

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**
**Sensitivity analysis to significant changes in unobservable inputs within Level 3 investments**

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2020 are as shown below:

<b>Description</b>	<b>Input</b>	<b>Sensitivity used</b>	<b>Effect on Fair Value (£)</b>
Unlisted Equity	Transactions & Expected Transactions	+/- 10%	+/-2,723,696
Unlisted Equity	Change in IndexVal	+82/-42% *	+2,288,551/-1,172,185
Unlisted Equity	EBITDA Multiple	+/- 20%	+/-1,388,781
Royalties	Commodity Price	+/-20%	+/-2,862,119
Royalties	Discount Rate	+/-20%	-2,732,511/+2,223,695
<b>Debt Instruments</b>			
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/-422,938
Others/Loans	Risk discount rate	+/-20%	-4,272,633/+1,996,328
Others/ Loans	Volatility of Index Basket	+/-40%	+2,109,175/-2,346,725
Others/ Loans	Transactions and expected transactions	+/-10%	+/-1,307,090
<b>Warrants</b>	Volatility of Index Basket	+/-40%	+87,968/-92,079

\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The +82%/-42% sensitivity was used as this was the range of movements of the constituents in the IndexVal basket for Sarmin, the only investment valued on the basis of IndexVal in the year (2020:+82%/-42%).

The Company has not disclosed the fair value for financial assets such as cash and cash equivalents and short-term receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**4. RISK MANAGEMENT POLICIES AND DISCLOSURES**

The Company's principal financial instruments comprise financial assets, primarily unlisted equity investments and loans in natural resources companies. The portfolio is concentrated on projects on the large liquid commodity markets and diversified in terms of geography. These investments reflect the core of the Company's investment strategy.

The Company manages its exposure to key financial risks primarily through diversification of geography and commodity, and through technical and legal due diligence. The objective of the policy is to support the delivery of the Company's core investment objective whilst maintaining future financial security. The main risks that could adversely affect the Company's financial assets or future cash flows are market risk (comprising market price risk, currency risk and interest rate risk), commodity price risk, liquidity risk, concentration risk and credit risk.

The Company's financial liabilities principally comprise fees payable to various parties and arise directly from its operations.

**Risk exposures and responses**

The Company's Board of Directors oversees the management of financial risks, each of which is summarised below.

**a) Market risk**

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market price risk, currency risk and interest rate risk.

**i. Market price risk**

Market price risk is the risk that the fair value of future cash flows will fluctuate because of changes in the market prices of the Company's investment portfolio.

The sensitivity analysis on the previous page illustrates the sensitivity of the key inputs into the market valuation and the resulting impact of the fair values. The level of change is considered to be reasonably possible. The sensitivity analysis assumes all other variables are held constant.

**ii. Currency risk**

At 31 December 2021, the largest non-Sterling portion of the Company's financial assets and liabilities was denominated in US Dollars. The functional currency of the Company is Sterling. Currency risk is the risk that the value of non-Sterling denominated financial instruments will fluctuate due to changes in foreign exchange rates. The tables below show the currencies and amounts the Company was exposed to at 31 December 2021 and 31 December 2020.

**31 December 2021**

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
AUD	38,079,806	0.5371	20,451,724	19.52%
CAD	3,850,097	0.5837	2,247,114	2.14%
EUR	12,176,338	0.8401	10,229,833	9.76%
GBP	35,626,057	1.0000	35,626,057	33.99%
NOK	44,748,764	0.0838	3,751,021	3.58%
USD	43,995,802	0.7386	32,493,207	31.01%
			<b>104,798,956</b>	<b>100.00%</b>

**31 December 2020**

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
AUD	33,258,402	0.5650	18,790,284	18.16%
CAD	3,906,292	0.5748	2,245,181	2.17%
EUR	9,115,280	0.8956	8,163,664	7.89%
GBP	27,672,415	1.0000	27,672,415	26.74%
NOK	41,552,423	0.0854	3,550,538	3.43%
USD	58,809,001	0.7324	43,069,317	41.61%
			<b>103,491,399</b>	<b>100.00%</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**
**a) Market risk (continued)**
**ii. Currency risk (continued)**

Analysis has been completed to assess what movements in currency rates are reasonably possible. This analysis has considered the variance between the highest and lowest conversion rates in 2021 and 2020 for each of the currencies in the table below. The table shows the potential movements in the Company's net assets as a result of such foreign exchange movements.

Currency	Reasonably possible move	2021 Value £	2020 Value £
AUD	10%	2,045,172	1,879,028
CAD	11%	247,183	246,970
EUR	13%	1,329,878	1,061,276
NOK	20%	750,204	710,108
USD	16%	5,198,913	6,891,091
		<b>9,571,350</b>	<b>10,788,473</b>

The estimated movement is based on management's determination of a reasonably possible change in foreign exchange rates. In practice, the actual results may differ from the sensitivity analysis above and the difference could be material.

**iii. Interest rate risk**

Although the Company's financial assets and liabilities expose it indirectly to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and fair value, it is subject to little direct exposure to interest rate fluctuations as the majority of the financial assets are equity investments or similar investments which do not pay interest. For valuation purposes convertible loans all have fixed interest rates and are treated more like quasi equity albeit with higher ranking than equity. As such they are not directly exposed to interest rates from a cash flow perspective. Any excess cash and cash equivalents are invested at short-term market interest rates which expose the Company, to a limited extent, to interest rate risk and corresponding gains/losses from a change in the fair value of these financial instruments.

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2021	Less than 6 months £	More than 6 months £	Non-interest bearing £	Total £
<b>Assets</b>				
Cash and cash equivalents	1,077,482	-	-	1,077,482
Financial assets held at fair value through profit or loss*	1,235,273	16,237,843	86,212,477	103,685,593
Other receivables	-	-	22,132	22,132
Interest receivable*	249,445	-	-	249,445
<b>Total Assets</b>	<b>2,562,200</b>	<b>16,237,843</b>	<b>86,234,609</b>	<b>105,034,652</b>
<b>Liabilities</b>				
Other liabilities	-	-	235,696	235,696
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>235,696</b>	<b>235,696</b>
<b>Interest rate sensitivity gap</b>	<b>2,562,200</b>	<b>16,237,843</b>		

\*The interest rate risks on these items are considered as part of overall price risk in valuing the convertibles.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**
**a) Market Risk (continued)**
**iii. Interest rate risk (continued)**

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

<b>At 31 December 2020</b>	<b>Less than 6 months</b>	<b>More than 6 months</b>	<b>Non-interest bearing</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>				
Cash and cash equivalents	424,140	-	-	424,140
Financial assets held at fair value through profit or loss*	585,887	28,983,181	73,038,879	102,607,947
Other receivables	-	-	19,628	19,628
Interest receivable*	684,184	-	-	684,184
<b>Total Assets</b>	<b>1,694,211</b>	<b>28,983,181</b>	<b>73,058,607</b>	<b>103,735,899</b>
<b>Liabilities</b>				
Other liabilities	-	-	244,500	244,500
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>244,500</b>	<b>244,500</b>
<b>Interest rate sensitivity gap</b>	<b>1,694,211</b>	<b>28,983,181</b>		

\*The interest rate risks on these items are considered as part of overall price risk in valuing the convertibles.

*Interest rate sensitivity*

It is the opinion of the Directors that the Company is not materially exposed to interest rate risk and accordingly no interest rate sensitivity calculation has been provided in these financial statements.

**b) Liquidity risk**

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. The Company invests in unlisted equities for which there may not be an immediate market. The Company seeks to mitigate this risk by maintaining cash and readily realisable listed equity positions which will cover its ongoing operational expenses.

The Company has the ability to incur borrowings of up to 10% of its NAV but the Company's policy is to restrict any such borrowings to temporary purposes only, such as settlement mis-matches.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual cash flows.

<b>At 31 December 2021</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than 12 months</b>	<b>No contractual maturity</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>						
Cash and cash equivalents	1,077,482	-	-	-	-	1,077,482
Financial assets held at fair value through profit or loss	-	1,235,273	4,721,075	11,516,768	86,212,477	103,685,593
Receivables	249,445	16,132	6,000	-	-	271,577
<b>Total Assets</b>	<b>1,326,927</b>	<b>1,251,405</b>	<b>4,727,075</b>	<b>11,516,768</b>	<b>86,212,477</b>	<b>105,034,652</b>
<b>Liabilities</b>						
Other payables and accrued expenses	28,750	144,279	62,667	-	-	235,696
<b>Total Liabilities</b>	<b>28,750</b>	<b>144,279</b>	<b>62,667</b>	<b>-</b>	<b>-</b>	<b>235,696</b>
<b>Net assets attributable to shareholders</b>						<b>104,798,956</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**
**b) Liquidity risk (continued)**

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual cash flows.

<b>At 31 December 2020</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than 12 months</b>	<b>No contractual maturity</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>						
Cash and cash equivalents	424,140	-	-	-	-	424,140
Financial assets held at fair value through profit or loss	-	-	9,759,932	19,809,136	73,038,879	102,607,947
Receivables	684,184	15,878	3,750	-	-	703,812
<b>Total Assets</b>	<b>1,108,324</b>	<b>15,878</b>	<b>9,763,682</b>	<b>19,809,136</b>	<b>73,038,979</b>	<b>103,735,899</b>

	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than 12 months</b>	<b>No contractual maturity</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Liabilities</b>						
Other payables and accrued expenses	149,575	15,925	79,000	-	-	244,500
<b>Total Liabilities</b>	<b>149,575</b>	<b>15,925</b>	<b>79,000</b>	<b>-</b>	<b>-</b>	<b>244,500</b>

**Net assets attributable to shareholders** 103,491,399

The value of the cash and level 1 listed equity positions held by the Company at the year-end was £5,956,968 (2020: £5,645,831) with the total liabilities at the year-end at £235,696 (2020: £244,500).

**c) Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full as they fall due. The Company has exposure to credit risk in relation to its cash balances, debt instruments, loan and loan notes as stated in the Statement of Financial Position.

The Company seeks to mitigate this risk by lending to companies with projects which have significant value over and above the value of the debt in such company so that there is a significant equity "buffer". The maximum credit risk on debt instruments for the Company is £19,950,848 (2020: £43,018,741).

The Company's financial assets are exposed to credit risk, which amounted to the following at the Statement of Financial Position date:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Assets</b>		
Cash and cash equivalents	1,077,482	424,140
Interest receivable	249,445	684,184
Other receivables	22,132	19,628
Financial assets held at fair value through profit or loss	103,685,593	102,607,947
<b>Total assets</b>	<b>105,034,652</b>	<b>103,735,899</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**
**4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**
**c) Credit risk**

As at 31 December 2021, the Company's non-equity financial assets exposed to credit risk were held with the following ratings:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>**Credit Rating</b>	<b>2021 % of net assets</b>
-Convertible Loan & Loan Note	Azarga Metals	NR*	2.11
-Convertible Loan & Loan Note	Bilboes Holdings Loan Note 1	NR*	1.72
-Convertible Loan & Loan Note	Bilboes Holdings Loan Note 2	NR*	0.33
-Convertible Loan & Loan Note	Silver X Mining Corporation (Previously known as Mines & Metals Trading (Peru) Plc)	NR*	2.37
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	1.23
-Convertible Unsecured Loan Security	Futura Resources Limited	NR*	1.18
-Loan Note	Cemos Group Plc	NR*	9.72
-Loan Note	PRISM Diversified Limited Loan Note 1	NR*	0.08
-Loan Note	PRISM Diversified Limited Loan Note 2	NR*	0.27
Cash and cash equivalents	HSBC Bank plc	AA-	1.03
<b>Total</b>			<b>20.04</b>

As at 31 December 2020, the Company's non-equity financial assets exposed to credit risk were held with the following ratings:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>**Credit Rating</b>	<b>2020 % of net assets</b>
-Convertible Loan & Loan Note	Anglo Saxony Mining Limited	NR*	3.29
-Convertible Loan & Loan Note	Azarga Metals	NR*	2.42
-Convertible Loan & Loan Note	Bilboes Holdings Loan Note 1	NR*	2.58
-Convertible Loan & Loan Note	Bilboes Holdings Loan Note 2	NR*	0.50
-Convertible Loan & Loan Note	Mines & Metals Trading (Peru) Plc	NR*	4.12
-Convertible Loan & Loan Note	Tungsten West Limited	NR*	9.73
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	1.24
-Convertible Loan Note	Futura Resources Limited	NR*	10.05
-Convertible Unsecured Loan	Cemos Group Plc	NR*	7.44
-Loan Note	Cemos Group Plc Loan Note	NR*	0.40
-Loan Note	PRISM Diversified Limited Loan Note 1	NR*	0.13
-Loan Note	PRISM Diversified Limited Loan Note 2	NR*	0.40
Cash and cash equivalents	HSBC Bank plc	AA-	0.41
<b>Total</b>			<b>42.71</b>

\* No rating available

\*\*As per S&P

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**

**d) Concentration risk**

The Company's investment policy is to invest in natural resources companies, both listed and unlisted, that the Investment Manager considers to be undervalued and that have strong fundamentals and attractive growth prospects which means that the Company has significant concentration risk relating to natural resources companies.

Concentration risks include, but are not limited to natural resources asset category (such as gold) and geography. The Company may at certain times hold relatively few investments. The Company could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including by the default of the issuer. Such risks potentially could have a material adverse effect on the Company's financial position, results of operations, business prospects and returns to investors. The Company's investments are geographically diverse reducing this aspect of concentration risk. In terms of commodity, the portfolio is likewise diversified in the large liquid markets of silver, gold, iron ore, coal and copper to mitigate this aspect of concentration risk.

**5. TAXATION**

The Company is a Guernsey Exempt Company and is therefore not subject to taxation in Guernsey on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual exemption fee of £1,200 (2020: £1,200) has been paid. The Company may, however, be exposed to taxes in certain other territories in which it invests such as withholding taxes on interest payments and dividends and on realisations of investments.

**6. ADMINISTRATION FEES**

The Administrator, HSBC Securities Services (Guernsey) Limited, is paid fees for acting as administrator of the Company at the rate of 7 basis points of gross asset value up to US\$250 million; the rate reduces to 5 basis points of gross asset value above US\$250 million. The Administrator is also reimbursed by the Company for reasonable out-of-pocket expenses. These fees are calculated and accrued as at the last business day of each month and paid monthly in arrears.

The Administrator is also entitled to a fee for its provision of corporate secretarial services provided to the Company on a time spent basis and subject to a minimum annual fee of £40,000. The Company is also responsible for any sub-administration fees as agreed in writing from time to time, and reasonable out-of-pocket expenses. The Administrator is also entitled to fees of €5,000 for preparation of the financial statements of the Company.

The administration fees payable for the year ended 31 December 2021 were £126,876 (2020: £114,250) of which £10,638 (2020: £35,000) was payable at 31 December 2021. HSBC Securities Services (Ireland) DAC, the sub-Administrator, is paid a portion of these fees by the Administrator.

**7. MANAGEMENT AND PERFORMANCE FEES**

The Manager was appointed pursuant to a management agreement with the Company dated 31 March 2010 (the "Management Agreement"). The Company pays to the Manager a management fee which is equal to 1/12th of 1.75 per cent of the total average market capitalisation of the Company during each month. The management fee is calculated and accrued as at the last business day of each month and is paid monthly in arrears. The Investment Manager's fees are paid by the Manager.

The management fee for the year ended 31 December 2021 was £1,587,121 (2020: £1,104,344) of which £122,894 (2020: £110,825) was outstanding at the year end.

The Manager is also entitled to a performance fee. The Performance Period is each 12-month period ending on 31 December (the "Performance Period"). The amount of the performance fee is 15 per cent of the total increase in the NAV, if the Hurdle has been met, at the end of the relevant Performance Period, over the highest previously recorded NAV as at the end of a Performance Period in respect of which a performance fee was last accrued, having made adjustments for numbers of Ordinary Shares issued and/or repurchased ("Highwater Mark"). The Hurdle is the Issue Price multiplied by the shares in issue, increased at a rate of 8% per annum compounded to the end of the relevant Performance Period. In addition, the performance fee will only become payable if there has been sufficient net realised gains. As at 31 December 2021, the Highwater Mark was the equivalent of approximately 94 pence per share with the relevant Hurdle being the equivalent of approximately 151 pence per share.

There were no earned performance fees payable for the current or prior year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****7. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)**

If the Company wishes to terminate the Management Agreement without cause it is required to give the Manager 12 months prior notice or pay to the Manager an amount equal to: (a) the aggregate investment management fee which would otherwise have been payable during the 12 months following the date of such notice (such amount to be calculated for the whole of such period by reference to the Market Capitalisation prevailing on the Valuation Day on or immediately prior to the date of such notice); and (b) any performance fee accrued at the end of any Performance Period which ended on or prior to termination and which remains unpaid at the date of termination which shall be payable as soon as, and to the extent that, sufficient cash or other liquid assets are available to the Company (as determined in good faith by the Directors), provided that such accrued performance fee shall be paid prior to the Company making any new investment or settling any other liabilities; and (c) where termination does not occur at 31 December in any year, any performance fee accrued at the date of termination shall be payable as soon as and to the extent that sufficient cash or other liquid assets are available to the Company (as determined in good faith by the Directors), provided that such accrued performance fee shall be paid prior to the Company making any new investment or settling any other liabilities.

**8. OTHER EXPENSES**

	<b>2021</b>	<b>2020</b>
	<b>TOTAL</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>
Research fees	33,910	31,199
Regulatory fees	30,970	25,316
Investor services fees	24,031	23,138
Public relation fees	10,080	7,500
FATCA review	-	13,500
Board recruitment fees	-	10,000
Miscellaneous expenses	4,398	13,265
	<b>103,389</b>	<b>123,918</b>

**9. CASH AND CASH EQUIVALENTS**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Cash at HSBC Bank plc	<b>1,077,482</b>	<b>424,140</b>

**10. SHARE CAPITAL**

The share capital of the Company on incorporation was represented by an unlimited number of Ordinary Shares of no par value. The Company may issue an unlimited number of shares of a nominal or par value and/or of no par value or a combination of both.

The Company has a total of 106,453,335 (2020: 106,453,335) Ordinary Shares in issue with an additional 700,000 (2020: 700,000) held in treasury. The Company has 9,167 (2020: 9,167) Management Ordinary Shares in issue, which are held by the Investment Manager.

The Ordinary Shares are admitted to the Premium Listing segment of the Official List of the London Stock Exchange. Holders of Ordinary Shares have the right to receive notice of and to attend and vote at general meetings of the Company.

Each holder of Ordinary Shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of Ordinary Shares present in person or by proxy will have one vote for each Ordinary Share held by him.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. SHARE CAPITAL (CONTINUED)**

Holders of Management Ordinary Shares have the right to receive notice of and to attend and vote at general meetings of the Company, except that the holders of Management Ordinary Shares are not entitled to vote on any resolution relating to certain specific matters, including a material change to the Company's investment objective, investment policy or borrowing policy. Each holder of Management Ordinary Shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of Management Ordinary Shares present in person or by proxy will have one vote for each Management Ordinary Share held by him. Holders of Ordinary Shares and Management Ordinary Shares are entitled to receive, and participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein.

The details of issued share capital of the Company are as follows:

	2021		2020	
	Amount £	No. of shares*	Amount £	No. of shares*
<b>Issued and fully paid share capital</b>				
Ordinary Shares of no par value** (including Management Ordinary Shares)	76,122,347	107,162,502	76,122,347	107,162,502
Treasury Shares	(140,492)	(700,000)	(140,492)	(700,000)
Total Share Capital	<u>75,981,855</u>		<u>75,981,855</u>	

The outstanding Ordinary Shares as at the year ended 31 December 2021 are as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares*	Amount £	No. of shares
Balance at 1 January 2021 & 31 December 2021	<u>76,122,347</u>	<u>106,462,502</u>	<u>140,492</u>	<u>700,000</u>

The outstanding Ordinary Shares as at the year ended 31 December 2020 were as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares*	Amount £	No. of shares
Balance at 31 December 2020	<u>76,122,347</u>	<u>106,462,502</u>	<u>140,492</u>	<u>700,000</u>

\* Includes 9,167 (2020: 9,167) Management Ordinary Shares.

\*\* The value reported for the ordinary shares represents the net of subscriptions and redemptions (including any associated expenses)

**Capital Management**

The Company regards capital as comprising its issued Ordinary Shares. The Company does not have any debt that might be regarded as capital. The Company's objectives in managing capital are:

- To safeguard its ability to continue as a going concern and provide returns to shareholders in the form of capital growth over the long-term through a focused, global portfolio consisting principally of the equities or related instruments of natural resources companies;
- To allocate capital to those assets that the Directors consider are most likely to provide the above returns;
- To manage, so far as is reasonably possible and when desirable, any discount or premium between the Company's share price and its NAV per Ordinary Share; and
- To make distributions to shareholders when circumstances permit in accordance with the Company's distribution policy.

The Company has continued to hold sufficient cash and liquid listed assets to enable it to meet its obligations as they arise and the Investment Manager provides the Directors with reporting on the activities of the investments of the Company such that they can be satisfied with the allocation of capital.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****10. SHARE CAPITAL (CONTINUED)****Capital Management (continued)**

As discussed in the Strategic Report, in August 2015, the Company introduced a share buyback programme with the objective of managing the discount the Company's shares trade at compared with its NAV. The Company has repurchased 700,000 shares at an average price of 20 pence per share through this programme and the repurchased shares are held in Treasury.

The Company has authority to make market purchases of up to 14.99 Per Cent of its own Ordinary Shares in issue. A renewal of such authority is sought from Shareholders at each Annual General Meeting of the Company or at a General Meeting of the Company, if required. Any purchases of Ordinary Shares will be made within internal guidelines established from time to time by the Board and within applicable regulations.

As described in the Directors' Report on page 19, the Company has a policy to distribute at least 15 per cent of net realised cash gains after deducting losses during the financial year through dividends, tender offers or otherwise.

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

**Reserves**

As at the year- end the Company had Revenue Reserves of £10,047,160 (2020: £10,971,969) and Capital Reserves of £18,769,941 (2020: £16,537,575).

Under the Companies (Guernsey) Law 2008, the Company may buy back its own shares, or pay dividends, out of any reserves, subject to passing a solvency test. This test considers whether, immediately after the payment, the Company's assets exceed its liabilities and whether it will be able to pay its debts when they fall due.

**11. RELATED PARTY TRANSACTIONS**

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 9,167 Management Ordinary Shares at 31 December 2021 (31 December 2020: 9,167).

Baker Steel Global Funds SICAV – Precious Metals Fund (“Precious Metals Fund”) had an interest in 4,922,877 Ordinary Shares in the Company at 31 December 2021 (2020: 4,922,877). These shares are held in a custodian account with Citibank N.A. London. Precious Metals Fund shares a common Investment Manager with the Company.

David Baker and Trevor Steel, Directors of the Manager, are interested in the shares held by Northcliffe Holdings Limited and The Sonya Trust respectively, which are therefore considered to be Related Parties. Northcliffe Holdings Limited holds 12,452,177 shares (2020: 12,452,177) and The Sonya Trust holds 12,722,129 shares (2020: 12,722,129).

David Staples, a Director of the Company purchased 35,000 shares in the Company on 26 April 2021.

The Company's Associates are described in Note 13 to these financial statements.

The Management fees and Directors' fees paid and accrued for the year were:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Management fees	1,587,121	1,104,344
Directors' fees	115,000	115,136

The Management fees and Directors' fees outstanding at the year-end were:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Management fees	122,894	110,825
Directors' fees	28,750	28,750



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**12. NET ASSET VALUE PER SHARE AND GAIN PER SHARE**

Net asset value per share is based on the net assets of £104,798,956 (31 December 2020: £103,491,399) and 106,462,502 (31 December 2020: 106,462,502) Ordinary Shares, being the number of shares in issue at the year-end excluding 700,000 shares which are held in treasury. The calculation for basic and diluted NAV per share is as below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
Net assets at the year-end (£)	104,798,956	103,491,399
Number of shares	106,462,502	106,462,502
Net asset value per share (in pence) basic and diluted	98.4	97.2
Weighted average number of shares	106,462,502	106,462,502

The basic and diluted gain per share for 2021 is based on the net gain for the year of the Company of £1,307,557 and on 106,462,502 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The basic and diluted gain per share for 2020 is based on the net gain for the year of the Company of £24,828,089 and on 106,462,502 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

There are no outstanding instruments which could result in the issue of new shares or dilute the issued share capital.

**13. INVESTMENT IN ASSOCIATES**

The interests in the below companies are for investment purposes and they are deemed associates by virtue of the Company having appointed a non-executive director (“NED”) and/or holding in excess of 20% of the voting rights of the relevant company. Investments in associates are carried at fair value as they are held as part of the investment portfolio which is valued on a fair value basis.

<b>Investment</b>	<b>Country of Incorporation</b>	<b>Voting Rights held</b>	<b>NED Appointed</b>
Cemos Group Limited	Jersey	32.50%	Yes
Bilboes Gold Limited	Mauritius	24.2%	Yes
Nussir ASA	Norway	12.10%	Yes
Futura Resources	Australia	26.90%	Yes
Tungsten West Plc	England and Wales	22.40%	Yes
First Tin Limited	England and Wales	26.00%	Yes
Polar Acquisition Limited	British Virgin Islands	49.99%	Yes
Azarga	Canada	Convertible Loan	Yes

Various Baker Steel representatives and their associates received fees and incentives for their role as directors to these companies. These fees are received in addition to the management fees charged.

**14. SUBSEQUENT EVENTS**

The potential impact of the Russian invasion of Ukraine to the mining sector is discussed in the Chairman’s Statement. The valuations of the two investments with a direct interest in Russia, PAL and Azarga Metals were reduced by 50% at the end of February 2022.

There were no events subsequent to the period end, not already disclosed in the Annual Report and Accounts, that materially impacted on the Company that require disclosure or adjustment to these financial statements.

**15. APPROVAL OF ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

The Annual Report and Audited Financial Statements for the year-ended 31 December 2021 were approved by the Board of Directors on 14 April 2022.

**APPENDIX - ADDITIONAL INFORMATION (UNAUDITED)**

**REMUNERATION DETAILS FOR INVESTMENT MANAGER'S STAFF**

As noted earlier, under AIFMD, the Investment Manager received approval to act as a full scope UK AIFM to the Company as of 22 July 2014. Pursuant to Article 22(2)9e) and (f) of AIFMD, an AIFM must, where appropriate for each AIF it manages, make an annual report available to the AIF investors. The annual report must contain, amongst other items, the total amount of remuneration paid by the AIFM to its staff for the financial year, split into fixed and variable remuneration including, where relevant, any carried interest paid by the AIF, along with the aggregate remuneration awarded to senior management and members of staff whose actions have a material impact on the risk profile of the AIF.

For the year ended 31 December 2021 the LLP as Investment Manager paid fixed remuneration to members and those identified as AIF code staff of £244,769. Variable remuneration amounted to £2,699,589. No carried interest was paid by the Company. These figures represent the aggregate remuneration paid to members and those identified as AIF code staff of the LLP as Investment Manager for the year ended 31 December 2021. The total remuneration of the individuals whose actions have a material impact upon the risk profile of the AIF managed by the AIFM amounted to £2,944,538.

The total AIFM remuneration attributable to senior management was £2,955,538. No other staff were identified as material risk takers in the year. The remuneration figures reflect an approximation of the portion of AIFM remuneration reasonably attributable to the AIF.

**GLOSSARY OF TERMS**

**AIF** – Alternative Investment Fund

**AIFM** – Alternative Investment Fund Manager

**AIFMD** - Alternative Investment Fund Managers Directive

**BSRT** – Baker Steel Resources Trust Limited

**Commission** – Guernsey Financial Services Commission

**DRAVs** – Development Risk Adjusted Values

**DFS** – A Definitive Feasibility Study is an evaluation of a proposed mining project to determine whether the mineral resource can be mined economically. A DFS is the basis for detailed design and construction of a project and determines definitively whether to proceed with the project. Detailed feasibility studies require a significant amount of formal engineering work, with costings accurate to within 10-15%. The definitive feasibility study will be based on indicated and measured mineral resources.

**EU** – European Union

**EGM** – Extraordinary General Meeting

**FCA** – Financial Conduct Authority

**FRC** – Financial Reporting Council

**FVO** – Fair value option

**FVOCI**– Fair value through other comprehensive income

**FVTPL** – Fair value through profit or loss

**GFSC** – Guernsey Financial Services Commission

**GFSC Code** - Guernsey Financial Services Commission Code of Corporate Governance

**g/t** – Grams per tonne

**IAS** – International Accounting Standards

**ITG** – IFRS Transition Resource Group of Impairment of Financial Instruments

**IFRS** – International Financial Reporting Standards as adopted by the European Union

**IndexVal** – Where there have been no known transactions for 6 months, at the Company's half year and year-end, movements in IndexVal will generally be taken into account in assessing Fair Value where there has been at least a 10% movement in IndexVal over at least a six month period. The IndexVal results are used as an indication of trend and are viewed in the context of investee company progress.

**IPO** – Initial Public Offering (stock market launch)

**JORC – AUSTRALASIAN JOINT ORE RESERVES COMMITTEE**

The Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code) of the Australasian Joint Ore Reserves Committee (JORC) is widely accepted as a standard for professional reporting of mineral resources and ore reserves. Mineral resources are classified as 'Inferred', 'Indicated' or 'Measured', while ore reserves are either 'Probable' or 'Proven'.

**Mt** – million tonnes

**NAV** – Net Asset Value

**GLOSSARY OF TERMS (CONTINUED)**

**NI 43-101 – CANADIAN NATIONAL INSTRUMENT 43-101**

Canadian National Instrument 43-101 is a mineral resource classification instrument which dictates reporting and public disclosure of information in Canada relating to mineral properties.

**NAV Discount** – NAV to market price discount The Net Asset Value (“NAV”) per share is the value of all the investment company’s assets, less any liabilities it has, divided by the number of shares. However, because the Company’s Ordinary Shares are traded on the London Stock Exchange’s Main Market, the share price may be higher or lower than the NAV. The difference is known as a discount or premium.

**OCI** – Other comprehensive income

**PEA** – Preliminary Economic Assessment

**SORP** – Statement of Recommended Practice issued by The Association of Investment Companies dated November 2021

**UK Code** – UK Corporate Governance Code published by the Financial Reporting Council in July 2018.