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BAKER STEEL RESOURCES TRUST LIMITED

Half-Yearly Report and Unaudited Condensed Interim Financial Statements

For the period from 1 January 2022 to 30 June 2022

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.

PUBLIC

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MANAGEMENT AND ADMINISTRATION

DIRECTORS:	Howard Myles (Chairman) Charles Hansard Fiona Perrott-Humphrey David Staples <i>(all of whom are non-executive and independent)</i>
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

MANAGEMENT AND ADMINISTRATION (CONTINUED)

SUB-ADMINISTRATOR TO THE COMPANY:	HSBC Securities Services (Ireland) DAC 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
CUSTODIAN TO THE COMPANY:	HSBC Continental Europe 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
SAFEKEEPING AND MONITORING AGENT:	HSBC Continental Europe 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
AUDITOR:	BDO Limited P O Box 180 Place du Pre Rue du Pre St. Peter Port Guernsey GY1 3LL Channel Islands
REGISTRAR:	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE1 1ES Jersey
UK PAYING AGENT AND TRANSFER AGENT:	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE1 1ES Jersey
RECEIVING AGENT:	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier JE1 1ES Jersey
PRINCIPAL BANKER:	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom

CHAIRMAN'S STATEMENT

For the period from 1 January 2022 to 30 June 2022

During the first six months of 2022, the Company's unaudited net asset value per share fell 18.3% to 80.4 pence per share, and the share price fell 12.67% to 65.5 pence per share. The first half of the year was a difficult one for precious metals mining shares which were weaker in line with a decline in the prices of gold and silver as well as a very bearish sentiment in general markets. The FT Gold Mines Index was off 11.6%, while the FTSE 250 declined by 20.50%. Other mining sectors were mixed as represented by the EMIX Global Mining Index which was up 1.2% in Sterling terms.

Commodity prices were particularly volatile during the period, as Covid continued to affect demand from the key market of China where the draconian policy of zero-tolerance significantly disrupted industry. Additionally, the Russian invasion of Ukraine sent oil and energy prices spiralling. Such a background has left market participants trying to evaluate how long the current high level of inflation will continue into the future or whether these economic shocks and rising interest rates will trigger a global recession and potentially deflation. However, in the short term at least, one result has been increased wage demands from workers seeking to keep up with the cost of living.

The markets for metals associated with electric vehicles, such as Copper, Cobalt, Nickel, Aluminum and Tin, were extremely volatile reaching all-time highs in some cases by March and then falling back to more normal levels by the summer. For example, tin, one of the key metals in the move towards electrification, reached a price of US\$58,000 /tonne in March and had fallen to US\$26,774/tonne three months later. Moves in some metal prices such as copper have been exacerbated by reversals in financial flows into the various paper instruments available to track the physical metals.

Historically inflation has been positive for precious metals and commodities, at least in nominal terms since they are real assets, but in the short-term markets have been more concerned about the implications for demand. Mining equities have clearly been affected by this background, with lower commodity prices hitting revenues whilst the increased cost of energy and numerous other inputs is severely impacting margins. Development companies such as the those in which your Company principally invests have been particularly impacted by this as they also have to contend with higher capital costs of construction and a less conducive environment for raising capital in which investors have decidedly moved into "risk off" mode.

The increase in energy prices was the main reason given by Tungsten West PLC when its board decided to delay the redevelopment of its Hemerdon mine in Devon. It has since announced a revised plan reconfiguring its operations so that it is much less energy intensive. It also continues to examine options for adding either solar or wind power which could further lower energy costs. The market reacted extremely badly to the initial news on the pause in development, falling by some 66% to almost 20 pence per share from its Initial Public Offering ("IPO") price of 60 pence per share, before recovering to the current price of around 30 pence per share on the announcement of the revised plan. Although this has certainly been disappointing, it should be noted that your Company's acquisition price is approximately 20 pence per share. The lock-up on the Company's shares in Tungsten West falls away in October 2022 and although we have no immediate plans to sell as we continue to believe the mine can be successful, it means the discount which we currently apply to the market price will also fall away.

In April 2022 First Tin PLC completed a successful IPO, raising £20 million at a price of 30 pence per share. Importantly, First Tin has raised the necessary funds it requires to undertake feasibility studies on both its Tellerhäuser tin project in Germany and the Taronga tin project in Australia (which it acquired at the same time as the IPO). The two feasibility studies are targeted to be completed mid-2023, shortly after the one-year lock-up on the Company's shares will end and the ideal time to evaluate the investment in First Tin. Post the IPO, First Tin's share price has been hit by the sharp fall in the tin price, closing at 15.5p at 30 June 2022, However, the IPO financing significantly de-risks the Company's investment which it acquired at approximately 8 pence per share on conversion of its convertible loan in 2021.

After the disappointment of having to withdraw from the cash sale of Bilboes Gold Ltd during 2021 owing to unacceptable warranty requirements, we are pleased to have recently come to an agreement with AIM listed gold producer Caledonia Mining for the sale of Bilboes for a mixture of equity and a royalty stream. Bilboes has been in discussions with Caledonia on and off for over five years. The potential synergies of a combination of the two companies have always been recognised but it has been a matter of negotiating a transaction acceptable to both parties. Being part of a larger cash generative group will make the financing of the Bilboes' gold project more achievable, and Caledonia's technical team has demonstrated its ability to operate successfully in Zimbabwe having recently increased the production capacity at its Blanket mine from 50,000 ounces to 80,000 ounces of gold per annum. The acquisition of Bilboes will be transformative for Caledonia with a clear path to becoming a 250,000 ounce per annum gold producer and with the potential for a significant re-rating of its shares. The transaction is subject to a number of conditions precedent, in particular Zimbabwean Government approvals, which are expected to be satisfied before the end of this year.

CHAIRMAN'S STATEMENT (CONTINUED)

For the period from 1 January 2022 to 30 June 2022

In a wholly unexpected move, the State government in Queensland, Australia announced significant increases in the royalties payable on metallurgical coal by miners in the State at progressively higher price levels. When taken with the UK government's recent 'superprofit' taxes levied on North Sea oil production it is a reminder that 'resources nationalism' is a growing risk around the world, particularly in times of higher commodity prices such as we have seen recently. The Company's largest investment, Futura Resources, holds two shovel-ready metallurgical coal projects in Queensland which are seeking to complete financing to enable them to enter production. The significantly higher metallurgical coal pricing environment has been supportive of this process although the Queensland government's increasing taxes has been an untimely and unwelcome development, adversely impacting investor sentiment, at least in the short term. Despite the tax increase, the economic models for Futura's mines are not materially impacted as they are based on long-term prices, and the higher royalty rates apply only in a higher price environment than that assumed in the models.

Outlook

The outlook for the remainder of this year is expected to remain uncertain owing to the macro-economic situation discussed above keeping commodity prices volatile, but the Company's investments are generally well positioned to weather a storm in the short-term. Closing of the financing required to see Futura into production will be an important value driver for the Company, although the uncertainty around the timing of this has increased somewhat. Two other holdings, Nussir and Kanga, had planned listings during the year but the timing of those could be reviewed owing to current market conditions.

The negotiation of a royalty as part of the Bilboes transaction was an important factor in the deal as it is a further step in the Company's strategy to achieve a regular cashflow from royalties, adding to those of Futura and Polar Acquisition Limited. This in turn should be the basis for regular and sustainable dividends to shareholders in the future.

Assuming the Bilboes transaction closes, a significant portion of the Company's portfolio will be listed and concentrated in a few major holdings. Depending on market conditions we will look to diversify the portfolio into new investments in 2023 as well as considering the potential for another tender offer in accordance with our returns policy.



Howard Myles

Chairman

15 September 2022

INVESTMENT MANAGER'S REPORT**For the period from 1 January 2022 to 30 June 2022****Financial Performance**

The unaudited Net Asset Value per Ordinary Share ("NAV") as at 30 June 2022 was 80.4 pence, a decrease of 18.3% in the period compared with the increase in the EMIX Global Mining Index of 1.2% in Sterling terms.

For the purpose of calculating the NAV per share, unquoted investments were carried at fair value as at 30 June 2022 as determined by the Directors and quoted investments were carried at their quoted prices as at that date.

Net assets at 30 June 2022 comprised the following:

	£m	% of net assets
Unquoted Investments	69.0	80.6
Quoted Investments	16.6	19.4
Cash and other net assets	0.0	-
	<u>85.6</u>	<u>100.0</u>

Investment Update**Largest 10 Holdings – 30 June 2022**

	% of NAV
Futura Resources Limited	27.2
Cemos Group Plc	20.5
Bilboes Gold Limited	15.3
Tungsten West Plc	7.5
Kanga Potash	5.5
First Tin Plc	5.5
Polar Acquisition Limited	4.4
Nussir ASA	3.5
Silver X Mining Corporation	3.0
Black Pearl Limited Partnership	1.7
	<u>94.1</u>
Other Investments	5.9
Cash and other net assets	-
	<u>100.0</u>

Largest 10 Holdings – 31 December 2021

	% of NAV
Cemos Group Plc	18.6
Futura Resources Limited	18.1
Tungsten West Plc	14.7
Bilboes Gold Limited	13.0
First Tin Limited	7.7
Polar Acquisition Limited	7.5
Kanga Potash	4.1
Nussir ASA	3.6
Silver X Mining Corporation	2.8
Azarga Metals Corporation	2.4
	<u>92.5</u>
Other Investments	6.4
Cash and other net assets	1.1
	<u>100.0</u>

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the period from 1 January 2022 to 30 June 2022

During the first half of 2022, the performance of commodities was volatile with precious metals weaker (gold down 1.2% and silver down 13%) and base metal prices mixed with copper down 15.3% on concerns of a global slowdown whilst nickel and iron ore were both up around 8% on supply issues from Russia and Ukraine. The price of coking coal from Australia fell 18% albeit from historically high levels following the 250% increase in 2021.

It was a frustrating period for the Company's largest investment, Futura Resources. With all planning and environmental permissions in place other than the final operating licence which is pending the completion of financing, Futura has been seeking the finance to start production from both its Wilton and Fairhill mines in Queensland. At current coking coal prices the approximate A\$50 million capital required to bring both mines into production could be recouped in less than a year but the funding of coal from traditional providers such as banks or institutional investors has become increasingly challenging on growing ESG reservations even though coking coal is different to thermal coal and fundamental to primary steel production. Futura was close to finalizing a loan via an offtake arrangement to be able to start both mines when the Queensland government unexpectedly introduced higher royalties at high coal prices. Although the effect of these additional royalties on Futura's economic forecast was minimal as the new royalties only apply at prices above the long-term consensus pricing used in the economic model, it was an unwelcome measure to the Queensland coal industry and proved untimely for Futura in closing its financing arrangements. Despite the initial shock of the introduction of the new royalties and the additional uncertainty on timing as a result, the higher coal pricing environment is supportive of Futura's projects, the company remains in discussion with a number of parties to finance the start of its mines and it is hoped a closing can be achieved in the next few months.

Cemos Group has continued to perform well and expects to produce a similar amount of cement from its Tarfaya plant in Morocco this year as it did in 2021 despite periodic difficulties experienced in sourcing clinker, the main ingredient for the production process. It is sufficiently confident of its market in Morocco that it has decided to acquire a second grinding line which can double production from 2023 and it is investigating the potential for installing its own clinker production which would secure reliable supplies and significantly increase margins with a decision expected early in 2023.

In July 2022, the Company announced the sale of Bilboes Gold to Caledonia Mining a NYSE, AIM and Victoria Falls Exchange listed gold producer whose primary asset is the Blanket Mine in Zimbabwe. Earlier this year Bilboes completed a feasibility study on its project in Matabeleland, Zimbabwe indicating the potential for an open pit gold mine with average annual production of approximately 168,000 ounces per annum of gold. However, Caledonia has indicated that it will re-engineer the feasibility study to a phased development approach which would entail lower up-front capital and initial production costs. Not only will financing the development of the Bilboes mine, comprising the Isabella, McCays, and Bubi open pit deposits, be easier in a larger cash generative group but also Caledonia's technical team has demonstrated its ability to operate successfully in Zimbabwe having recently increased the production capacity at its Blanket mine from 50,000 ounces to 80,000 ounces of gold per annum. With the acquisition of Bilboes, there is now a clear path for Caledonia to move to become a 250,000 ounce per annum gold producer with the potential for a significant re-rating of its shares. The transaction is subject to number of conditions precedent including Zimbabwe government approvals which are expected to be satisfied before year end.

The Company's consideration for its 24.2% shareholding in Bilboes will be 800,000 shares in Caledonia and a 1% net smelter royalty ("NSR"), which it was able to negotiate as a condition of the transaction. Should the full production rate of 168,000 ounces per annum be achieved the NSR would generate around US\$2.6 million per annum for the Company at current gold prices. This is in line with the Company's strategy to generate a series of royalties in the portfolio which can become the basis for regular cashflow to the Company which in turn can be passed on as dividends to shareholders.

Following the invasion of Ukraine by Russian forces in February and the imposition of sanctions on certain Russian individuals and institutions, the Company reviewed the carrying value of Polar Acquisition Limited ("PAL") which holds a royalty over the Prognoz silver project in far eastern Russia, owned by Polymetal International PLC (Polymetal). Polymetal is a Jersey registered company which continues to be listed on the London Stock Exchange, has not been the subject of targeted sanctions and continues to operate its mines in Russia and Kazakhstan. Polymetal has stated that the development of Prognoz remains on track for commissioning in the first quarter of 2024. As result of potential uncertainty in the ability of Polymetal to pay the royalty when due, the Company imposed an additional 50% discount to its development risk adjusted valuation of PAL albeit it is hoped that there can be some resolution in the two years until a first royalty payment would be due.

INVESTMENT MANAGER'S REPORT (CONTINUED)**For the period from 1 January 2022 to 30 June 2022**

Tungsten West PLC has been the investment most severely affected by the increase in energy prices following the invasion of Ukraine. In April 2022, Tungsten West announced that it was pausing the redevelopment of its Hemerdon tungsten project in Devon, to evaluate alternative lower cost approaches. In July 2022 it announced it had concluded its re-evaluation and was progressing with a re-configured development plan the most important aspects of which are a lower capex requirement and much lower diesel and power consumption whilst still delivering profitable operating margins. Tungsten West is now proceeding with detailed engineering design and has recommenced construction of the Hemerdon Project with the target of restarting production during H1 2023.

In April 2022 First Tin PLC completed an IPO on the London Stock Exchange raising £20 million. Concurrently with the IPO it acquired the Taronga open pit tin project in Australia, giving it three advanced tin projects in stable jurisdictions. The proceeds of the IPO will be used to complete feasibility studies on Taronga and its existing Tellerhauser tin mine in Saxony, Germany as well as further exploration on the Gottesburg tin project close to Tellerhauser.

Elsewhere in the portfolio, Kanga Potash and Nussir are both making good progress towards financing their respect potash and copper projects following positive feasibility studies however it is likely that the current market uncertainty will need to improve before they can be finalised.

Silver X Mining Corporation recently reported that its Nuevo Recuperada silver/lead/zinc mine in Peru had processed 124,000 silver equivalent ounces through its plant in July 2022, an increase of 58% over the previous month as production ramps up following a plant upgrade earlier in the year.

During the first half of 2022 the Company did not make any new core investments as it remained fully invested. A number of new projects were reviewed and opportunities will continue to be monitored pending receipt of funds from any disposals.

At 30 June 2022	Price / Index Level	% Change in 6 Months	% Change in 3 years
Net Asset Value (pence/share)	80.4	-18.3%	+20.3%
Ordinary Share Price (pence/share)	65.5	-12.7%	+3.4%
EMIX Global Mining Index (£)	981.60	+1.2%	+42.9%
SBB Premium Hard Coking Coal Australia Export (US\$/t)	294.00	17.7%	+67.2%
Gold (US\$/oz)	1,807	-1.2%	+28.2%
Silver (US\$/oz)	20.28	-13.0%	+32.4%
Brazil Potash CFR Granular Spot (US\$/t)	1,100	+32.5%	+218.8%
Copper (US\$/t)	8,254	-15.3%	+38.0%
Chinese Import Iron Ore Fines 62% Fe spot (US\$)	130.00	+8.2%	+15.1%
European Tungsten APT 88.5% w/h Rotterdam (US\$/MTU)	330.00	+4.1%	+35.8%
Tin (US\$/t)	26,689	-32.2%	+41.7%

Baker Steel Capital Managers LLP

Source: *Bloomberg*

Investment Manager

September 2022

DIRECTORS' REPORT

For the period from 1 January 2022 to 30 June 2022

The Directors of the Company present the Half-Yearly Report and Unaudited Condensed Interim Financial Statements for the six months ended 30 June 2022.

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.

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

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.

Performance

During the period ended 30 June 2022, the Company's unaudited NAV per Ordinary Share decreased by 18.3% and the share price decreased by 12.67% on the London Stock Exchange. This compares with a rise in the EMIX Global Mining Index (capital return in Sterling terms) of 1.2%. A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 5 to 7.

The results for the period are shown in the Statement of Comprehensive Income on pages 15 and 16 and the Company's financial position at the end of the period is shown in the Statement of Financial Position on page 14.

Dividend 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 part of the cash realised from disposals for distribution 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 not 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 announce a more formal dividend policy once it starts to receive a regular stream of income from its royalty interests.

Directors and their interests

The Directors of the Company who served during the period 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 and financial statements for the year ended 31 December 2021 ("the Annual Report") are presented on page 18 of that report.

DIRECTORS' REPORT (CONTINUED)**For the period from 1 January 2022 to 30 June 2022****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.

David Staples holds 35,000 shares in the Company. No other director has a beneficial interest in the Company.

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

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Howard Myles	2	2	2	2
Charles Hansard	2	2	n/a	n/a
Fiona Perrott-Humphrey	2	2	2	2
David Staples	2	2	2	2

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

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 period ended 30 June 2022 the total remuneration of the Directors was £57,500 (30 June 2021: £57,500), with £28,750 payable at 30 June 2022 (31 December 2021: £28,750).

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. The Company had 107,153,335 Ordinary and 9,167 Management Ordinary Shares totalling 107,162,502 Ordinary Shares in issue as at 30 June 2022, of which 700,000 Ordinary Shares were held in Treasury.

Going concern

Having reassessed the principal and emerging risks described on pages 15 and 16 of the 31 December 2021 Annual Report, and the other matters discussed in connection with the viability statement as set out on pages 17 of the said report, the Directors consider it is appropriate to adopt the going concern basis in preparing these interim Financial Statements. The discontinuation vote in 2021 was not passed and the next vote is in 2024. As at 30 June 2022, approximately 5.85% of the Company's assets were represented by cash and unrestricted listed and quoted investments which are readily realisable. 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 9.

DIRECTORS' REPORT (CONTINUED)

For the period from 1 January 2022 to 30 June 2022

Directors and their interests (continued)

Principal and emerging risks

The principal and emerging risks facing the Company, which include market and financial risk and portfolio management and performance risk, are considered in detail, on pages 15 and 16 of the 31 December 2021 Annual Report which is available on the Company's website www.bakersteelresourcestrust.com. The Directors do not consider that these risks have materially changed during the period ended 30 June 2022 and do not expect any changes in the second half of 2022.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of 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; and
- the Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

Corporate governance compliance

As described in the Company's Annual Report, the Board has considered the principles and recommendations set out in UK Corporate Governance Code that was revised in 2018 and is effective for periods commencing on or after 1 January 2019 (the "UK Code") issued by the Financial Reporting Council (the "FRC"). Pages 21 and 22 of the 31 December 2021 Annual Report presents and explains those matters where the Company has not complied with the UK Code. There is no change in compliance since the Annual Report.

Signed for and on behalf of the Directors:



David Staples
Audit Committee Chairman
15 September 2022

BAKER STEEL RESOURCES TRUST LIMITED
**UNAUDITED PORTFOLIO STATEMENT
AS AT 30 JUNE 2022**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Listed equity shares</u>			
Australian Dollars			
4,091,910	Akora Resources Limited	417,596	0.49
367,000	Regis Resources Limited	270,500	0.32
2,103,000	Resolute Mining Limited	268,275	0.31
388,000	St Barbara Limited	164,987	0.19
Australian Dollars Total		1,121,358	1.31
Canadian Dollars			
58,527,286	Azarga Metals Corporation	560,902	0.65
19,502,695	Silver X Mining Corporation	2,554,382	2.98
Canadian Dollars Total		3,115,284	3.63
Great Britain Pounds			
37,128,014	First Tin Plc	4,714,040	5.51
42,000	Fresnillo Plc	322,056	0.38
112,510,000	Metals Exploration Plc	1,040,718	1.22
17,000	Polymetal International Plc	30,770	0.04
28,846,515	Tungsten West plc	6,049,456	7.07
Great Britain Pounds Total		12,157,040	14.22
United States Dollars			
89,000	Coeur Mining Inc	222,656	0.26
United States Dollars Total		222,656	0.26
Total investment in listed equity shares		16,616,338	19.42
<u>Debt instruments</u>			
Canadian Dollars			
305,000	PRISM Diversified Limited Loan Note 1	96,322	0.11
250,500	PRISM Diversified Limited Loan Note 2	306,906	0.36
Canadian Dollars Total		403,228	0.47
Euro			
1,045	Cemos Group Plc Convertible Unsecured Loan Security	9,193,506	10.74
Euro Total		9,193,506	10.74

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED PORTFOLIO STATEMENT (CONTINUED)
AS AT 30 JUNE 2022**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Debt instruments (Continued)</u>			
United States Dollars			
7,028,352	Black Pearl Limited Partnership	1,440,152	1.68
26,301	Bilboes Gold Limited	22,275	0.03
United States Dollars Total		1,462,427	1.71
Total investments in debt instruments		11,059,161	12.92
<u>Unlisted equity shares, warrants and royalties</u>			
Australian Dollars			
10,100,000	Futura Gross Revenue Royalty	13,658,236	15.96
11,309,005	Futura Resources Limited	9,617,750	11.24
Australian Dollars Total		23,275,986	27.20
Canadian Dollars			
13,490,414	Azarga Metals Warrants 31/12/2022	2	-
13,083,936	PRISM Diversified Limited	835,941	0.98
40,000	PRISM Diversified Limited Royalty	25,556	0.03
1,000,000	PRISM Diversified Limited Warrants 31/12/2023	4,682	0.00
324,000	Unkur Option 12/31/2023	207,006	0.24
Canadian Dollars Total		1,073,187	1.25
Great Britain Pounds			
1,594,646	Celadon Mining Limited	15,946	0.02
24,004,167	Cemos Group plc	8,370,684	9.78
1,657,195	Tungsten West plc Second Option Share Warrants 18/10/2026	212,536	0.25
1,657,195	Tungsten West plc Third Option Share Warrants 18/10/2026	143,182	0.17
Great Britain Pounds Total		8,742,348	10.22
Norwegian Krone			
12,785,361	Nussir ASA	3,013,711	3.52
Norwegian Krone Total		3,013,711	3.52

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED PORTFOLIO STATEMENT (CONTINUED)
AS AT 30 JUNE 2022**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Unlisted equity shares and warrants and royalties (Continued)</u>			
United States Dollars			
535,943	Bilboes Gold Limited	13,112,443	15.32
4,244,550	Gobi Coal & Energy Limited	164,172	0.19
56,042	Kanga Potash	4,735,541	5.53
16,352	Polar Acquisition Limited	3,763,727	4.40
United States Dollars Total		21,775,883	25.44
Total unlisted equity shares, warrants and royalties		57,881,115	67.63
Financial assets held at fair value through profit or loss		85,556,614	99.97
Other Assets & Liabilities		26,532	0.03
Total Equity		85,583,146	100.00

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

		Unaudited 30 June 2022	Audited 31 December 2021
	Notes	£	£
Assets			
Cash and cash equivalents		129,912	1,077,482
Interest receivable		56,227	249,445
Other receivables		21,565	22,132
Financial assets held at fair value through profit or loss	3	85,556,614	103,685,593
Total assets		85,764,318	105,034,652
Equity and Liabilities			
Liabilities			
Directors' fees payable	9	28,750	28,750
Management fees payable	7,9	95,289	122,894
Administration fees payable		17,857	10,638
Audit fees payable		29,250	58,500
Custodian fees payable		7,459	8,443
Other payables		2,567	6,471
Total liabilities		181,172	235,696
Equity			
Management Ordinary Shares	8	9,167	9,167
Ordinary Shares	8	75,972,688	75,972,688
Revenue Reserves		9,396,201	10,047,160
Capital Reserves		205,090	18,769,941
Total equity		85,583,146	104,798,956
Total equity and liabilities		85,764,318	105,034,652
Net Asset Value per Ordinary Share (in Pence) – Basic and Diluted	5	80.4	98.4

These unaudited condensed financial statements on pages 14 to 29 were approved by the Board of Directors on 15 September 2022 and signed on its behalf by:



David Staples
Director

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

		Unaudited period ended 30 June 2022 Revenue £	Unaudited period ended 30 June 2022 Capital £	Unaudited period ended 30 June 2022 Total £
Income				
Interest income		320,808	-	320,808
Dividend income		7,249	-	7,249
Net loss on financial assets at fair value through profit or loss	3	-	(18,569,776)	(18,569,776)
Net foreign exchange gain		-	4,925	4,925
Net income		328,057	(18,564,851)	(18,236,794)
Expenses				
Management fees	7,9	649,850	-	649,850
Administration fees		60,897	-	60,897
Directors' fees	9	57,500	-	57,500
Legal fees		55,112	-	55,112
Other expenses		51,932	-	51,932
Custody fees		30,787	-	30,787
Audit fees		29,250	-	29,250
Depositary fees		20,037	-	20,037
Broker fees		17,500	-	17,500
Directors' insurance		6,000	-	6,000
Directors' expenses		151	-	151
Total expenses		979,016	-	979,016
Net loss for the period		(650,959)	(18,564,851)	(19,215,810)
Net loss for the period per Ordinary Share:				
Basic and Diluted (in pence)	5	(0.61)	(17.44)	(18.05)

In the period ended 30 June 2022 there were no other gains or losses 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.

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

		Unaudited period ended 30 June 2021 Revenue £	Unaudited period ended 30 June 2021 Capital £	Unaudited period ended 30 June 2021 Total £
Income				
Interest Income		778,743	-	778,743
Dividend Income		39,189	-	39,189
Loan guarantee income		46,247	-	46,247
Net gain on financial assets at fair value through profit or loss	3	-	2,994,059	2,994,059
Net foreign exchange loss		-	(12,098)	(12,098)
Net income		864,179	2,981,961	3,846,140
Expenses				
Management fees	7,9	816,287	-	816,287
Directors' fees	9	57,500	-	57,500
Administration fees		63,393	-	63,393
Other expenses		53,900	-	53,900
Custody fees		51,725	-	51,725
Audit fees		27,000	-	27,000
Broker fees		17,500	-	17,500
Directors' insurance and expenses		3,750	-	3,750
Legal fees		17,740	-	17,740
Total expenses		1,108,795	-	1,108,795
Net gain / (loss) for the period		(244,616)	2,981,961	2,737,345
Net gain / (loss) for the period per Ordinary Share:				
Basic and Diluted (in pence)	5	(0.23)	2.80	2.57

In the period ended 30 June 2021 there were no other gains or losses 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.

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

	Management Ordinary Shares £	Ordinary Shares £	Treasury Shares £	Revenue reserves £	Capital reserves £	Total Equity £
Balance as at 1 January 2022	9,167	76,113,180	(140,492)	10,047,160	18,769,941	104,798,956
Net loss for the period	-	-	-	(650,959)	(18,564,851)	(19,215,810)
Balance as at 30 June 2022	9,167	76,113,180	(140,492)	9,396,201	205,090	85,583,146
Note:	8	8				

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

	Management Ordinary Shares £	Ordinary Shares £	Treasury Shares £	Revenue reserves £	Capital reserves £	Total Equity £
Balance as at 1 January 2021	9,167	76,113,180	(140,492)	10,971,969	16,537,575	103,491,399
Net (loss) / gain for the period	-	-	-	(244,616)	2,981,961	2,737,345
Balance as at 30 June 2021	9,167	76,113,180	(140,492)	10,727,353	19,519,536	106,228,744
Note:	8	8				

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

	Note	Unaudited Period ended 30 June 2022 £	Unaudited Period ended 30 June 2021 £
Cash flows from operating activities			
Net (loss)/gain for the period		(19,215,810)	2,737,345
<i>Adjustments to reconcile net gain for the period to net cash used in operating activities:</i>			
Interest income		(320,808)	(778,743)
Dividend income		(7,249)	(39,189)
Net loss/ (gain) on financial assets at fair value through profit or loss	3	18,569,776	(2,994,059)
Net increase/(decrease) in other receivables		567	(593)
Net decrease in payables		(54,524)	(4,980)
		<u>(1,028,048)</u>	<u>(1,080,219)</u>
Interest received		514,027	837,191
Dividend received		7,249	39,189
Net cash used in operating activities		<u>(506,772)</u>	<u>(203,839)</u>
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(1,209,441)	(12,665,636)
Sale of financial assets at fair value through profit or loss		768,643	12,781,961
Net cash (used in)/provided by investing activities		<u>(440,798)</u>	<u>116,325</u>
Net decrease in cash and cash equivalents		(947,570)	(87,514)
Cash and cash equivalents at the beginning of the period		1,077,482	424,140
Cash and cash equivalents at the end of the period		<u>129,912</u>	<u>336,626</u>

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

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, Premium Segment.

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

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.

The Half-Yearly financial report has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board Guidance on review of Interim Financial Information. However, the Board did procure the independent external auditor to undertake certain agreed upon procedures to assist the Audit Committee and Board with its review of this report.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim financial statements in the half year report for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’ as adopted by the European Union. This half year report and condensed financial statements should be read in conjunction with the Company’s annual report and financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and are available at the Company’s website (www.bakersteelresourcestrust.com).

The accounting policies adopted and methods of computation followed in the condensed interim financial statements are consistent with those applied in the preparation of the Company’s annual financial statements for the year ended 31 December 2021 and are expected to be applied to the Company’s annual financial statements for the year ending 31 December 2022.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment Summary:	Period ended	Year ended
	30 June	31 December
	2022	2021
	£	£
Opening book cost	82,910,887	81,003,041
Purchases at cost	1,209,440	2,536,249
Proceeds on sale of investments	(768,643)	(3,712,697)
Net realised (losses)/gains	(2,507,991)	3,084,294
Closing cost	80,843,963	82,910,887
Net unrealised gains	4,712,921	20,774,706
Financial assets held at fair value through profit or loss	85,556,614	103,685,593

The following table analyses net gains on financial assets at fair value through profit or loss for the period/year ended 30 June 2022, 31 December 2021 and 30 June 2021.

	Period ended	Year ended	Period ended
	30 June	31 December	30 June
	2022	2021	2021
	£	£	£
Financial assets at fair value through profit or loss			
<i>Realised (losses)/gains on:</i>			
- Listed equity shares	(1,117,529)	(792,604)	(273,452)
- Debt instruments	(1,390,462)	3,893,470	3,933,880
- Warrants	-	(16,572)	-
	(2,507,991)	3,084,294	3,660,428
<i>Movement in unrealised (losses)/gains on:</i>			
- Listed equity shares	(14,370,970)	4,589,432	(399,854)
- Unlisted equity shares	947,253	1,571,711	3,438,849
- Royalties	968,471	1,943,286	(445,518)
- Debt instruments	(2,809,854)	(10,157,233)	(3,355,920)
- Warrants	(796,685)	1,222,604	96,074
	(16,061,785)	(830,200)	(666,369)
Net gain on financial assets at fair value through profit or loss	(18,569,776)	2,254,094	2,994,059

The following table analyses investments by type and by level within the fair valuation hierarchy at 30 June 2022.

	Quoted prices in	Quoted market	Unobservable	Total
	active markets	based observables	inputs	
	Level 1	Level 2	Level 3	
	£	£	£	£
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	5,852,841	10,763,497	-	16,616,338
Unlisted equity shares	-	-	39,866,188	39,866,188
Royalties	-	-	17,447,519	17,447,519
Warrants	-	-	567,408	567,408
Debt instruments	-	-	11,059,161	11,059,161
	5,852,841	10,763,497	68,940,276	85,556,614

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**
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.

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
<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
	<u>4,879,486</u>	<u>14,064,224</u>	<u>84,741,883</u>	<u>103,685,593</u>

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 period included in net gain on financial assets and liabilities at fair value through profit or loss held at 30 June 2022.

30 June 2022	Unlisted Equities £	Royalties £	Debt instruments £	Warrants £	Total £
Opening balance 1 January 2022	46,971,239	16,479,048	19,927,503	1,364,093	84,741,883
Purchases of investments	-	-	19,305	-	19,305
Sales of investments	-	-	-	-	-
Transfer from level 3	(8,052,304)	-	(4,687,331)	-	(12,739,635)
Change in net unrealised gains/(losses)	947,253	968,471	(2,809,854)	(796,685)	(1,690,815)
Realised loss	-	-	(1,390,462)	-	(1,390,462)
Closing balance 30 June 2022	<u>39,866,188</u>	<u>17,447,519</u>	<u>11,059,161</u>	<u>567,408</u>	<u>68,940,276</u>
Unrealised gains on investments still held at 30 June 2022	<u>3,603,818</u>	<u>5,657,542</u>	<u>1,541,103</u>	<u>554,283</u>	<u>11,357,746</u>

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 loss on financial assets and liabilities at fair value through profit or loss held at 31 December 2021.

31 December 2021	Unlisted Equities £	Royalties £	Debt instruments £	Warrants £	Total £
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	<u>46,971,239</u>	<u>16,479,048</u>	<u>19,927,503</u>	<u>1,364,093</u>	<u>84,741,883</u>
Unrealised gains on investments still held at 31 December 2021	<u>7,686,978</u>	<u>4,689,071</u>	<u>2,948,246</u>	<u>1,350,968</u>	<u>16,675,263</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

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

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.

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 holds a 35.8% interest in Azarga Metals which could impact the quoted price if it decided to sell the 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 illiquidity 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 held two Level 2 investments at 30 June 2022 (31 December 2021: one).

Investments classified within Level 3 have significant unobservable inputs. They include unlisted debt instruments, royalty rights, 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.

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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

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

Valuation methodology of Level 3 investments (continued)

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. Some market analysts incorporate development risk into the discount rate in arriving at a net present value (“NPV”). Instead, the Investment Manager establishes an NPV discounted purely for cost of capital and country risk and then applies a further overall discount to the project economics dependent on where such project sits on the development curve per the DRAV calculations.

The valuation technique 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 period end but have a high chance of success and are considered to represent the situation at period 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 cash flows 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, it is a cement plant with no defined life like a mining project and therefore has been valued on the basis of a multiple of historical and forecast earnings before interest, tax, depreciation and amortisation 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 taking into account credit risk and the value of the conversion aspect.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

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

Quantitative information on significant unobservable inputs – Level 3

Description	30 June 2022 £	Valuation technique	Unobservable input	Range of unobservable input (weighted average)
Unlisted Equity	15,189,232	Transactions	Private transactions	n/a
Unlisted Equity	16,126,154	IndexVal	Change in index	n/a
Unlisted Equity	8,370,684	EBITDA Multiple	EBITDA Multiple	n/a
Unlisted Equity	180,118	Other	Exploration results, study results, financing	n/a
Unlisted Equity	17,447,519	Royalty Valuation Model	Commodity price and discount risk	n/a
Debt Instruments				
Black Pearl Limited Partnership	1,440,151	Valued at mean estimated recovery	Estimated recovery range	+/-50%
Other Convertible Debentures/Loans	9,596,733	Valued at fair value with reference to credit risk	Rate of Credit Risk	0%-60%
Warrants	360,402	Simplified Black & Scholes Model	Volatilities	50%
Unkur Option	207,006	Valued at fair value	Political risk discount	40%-80%

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

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

Quantitative information on significant unobservable inputs – Level 3 (continued)

Description	31 December 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
Debt Instruments				
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%
Warrants	1,364,093	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 UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**
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 30 June 2022 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Transactions & Expected Transactions	+/-10%	+/- 1,518,923
Unlisted Equity	Change in IndexVal	+135%/-80%	+21,770,308/-12,900,923
Unlisted Equity	EBITDA Multiple	+/-20%	+/-1,674,137
Royalties	Commodity Price	+/-20%	+/- 3,484,392
Royalties	Discount Rate	+/-20%	-1,326,703/+1,547,820
Debt Instruments			
Black Pearl Limited			
Partnership	Probability weighting	+/-33%	+/-480,050
Others/Loans	Risk discount rate	+/-20%	-2,044,238/+201,614
Others/Loans	Volatility	+/-40%	+57,342/-517
Unkor Option	Transactions and expected transactions	+/-20%	-/+ 162,000
Warrants	Volatility of index basket	+/-40%	-15,938/+18,353

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The +135%/-80% sensitivity was used as this was the range of movements of the constituents in the IndexVal basket for Nussir and Futura..

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:

Description	Input	Sensitivity used	Effect on Fair Value (£)
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
Debt Instruments			
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
Warrants	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 basket for Bilboes Gold, Kanga Potash and Prism.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022****4. OTHER FINANCIAL INSTRUMENTS**

The Directors consider the carrying amount for financial instruments such as cash and cash equivalents and short-term receivables and payables, are a reasonable approximation of fair values.

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Other assets include the contractual amounts for settlement of the trades and other obligations due to the Company. Investment management fees payable, Directors' fees payable, audit fees payable, administration fees payable and other payables represent the contractual amounts and obligations due by the Company for settlement for trades and expenses.

5. NET ASSET VALUE PER SHARE AND GAIN PER SHARE

Net asset value per share is based on the net assets of £ 85,583,146 (31 December 2021: £ 104,798,956) and 106,462,502 (31 December 2021: 106,462,502) Ordinary Shares, being the number of shares in issue at 30 June 2022 excluding 700,000 shares which are held in treasury. The calculation for basic and diluted NAV per share is as below:

	30 June 2022	31 December 2021
	Ordinary Shares	Ordinary Shares
Net assets at the period end (£)	85,583,146	104,798,956
Number of shares	106,462,502	106,462,502
Net asset value per share (in pence) basic and diluted	80.4	98.4
Weighted average number of shares	106,462,502	106,462,502

The basic and diluted loss per share for the period ended 30 June 2022, of 18.05 pence per share (30 June 2021 gain of 2.57 pence per share), is based on the net loss for the period of the Company of £19,215,810 (30 June 2021: £2,737,345) and on 106,462,502 shares (30 June 2021: 106,462,502) being the weighted average number of Ordinary Shares in issue during the period.

6. 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 (2021: £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 taxes on realisations of investments.

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 period ended 30 June 2022 was £649,850 (30 June 2021: £816,287) of which £95,289 (31 December 2021: £ 122,894) was outstanding at the period 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 have been sufficient net realised gains. As at 30 June 2022, the Highwater Mark was the equivalent of approximately 93.9 pence per share with the relevant Hurdle being the equivalent of approximately 157 pence per share. There were no earned performance fees for the current or prior period.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

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. 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 (31 December 2021: 106,453,335) Ordinary Shares in issue with an additional 700,000 (31 December 2021: 700,000) held in treasury. In addition, the Company has 9,167 (31 December 2021: 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.

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

	30 June 2022		31 December 2021	
	Amount £	No. of shares*	Amount £	No. of shares*
Issued and fully paid share capital				
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 period ended 30 June 2022 are as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares*	Amount £	No. of shares
Balance at 1 January 2022 & 30 June 2022	<u>76,122,347</u>	<u>106,462,502</u>	<u>140,492</u>	<u>700,000</u>

* Includes 9,167 (31 December 2021: 9,167) Management Ordinary Shares.

** The value reported for the Ordinary Shares represents the net of subscriptions and redemptions (including any associated expenses).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

8. SHARE CAPITAL (CONTINUED)

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	76,122,347	106,462,502	140,492	700,000

* Includes 9,167 (31 December 2021: 9,167) Management Ordinary Shares.

9. RELATED PARTY TRANSACTIONS

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 9,167 Management Ordinary Shares at 30 June 2022 (31 December 2021: 9,167).

The Management fees paid and accrued for the period are disclosed under Note 7.

Baker Steel Global Funds SICAV – Precious Metals Fund (“Precious Metals Fund”) had an interest of 4,922,877 Ordinary Shares in the Company at 30 June 2022 (31 December 2021: 4,922,877). 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 (31 December 2021; 12,452,177) and The Sonya Trust holds 12,722,129 shares (31 December 2021: 12,722,129).

David Staples, a Director of the Company holds 35,000 shares in the Company.

Management fees and Directors’ fees paid and accrued during the periods to 30 June were:

	2022 £	2021 £
Management fees	649,850	816,287
Directors’ fees	57,500	57,500

The Management fees and Directors’ fees outstanding at the period-end were:

	30 June 2022 £	31 December 2021 £
Management fees	95,289	122,894
Directors’ fees	28,750	28,750

10. SUBSEQUENT EVENTS

On 21 July 2022, the Company and the other shareholders of Bilboes signed an agreement to sell Bilboes to Caledonia Mining Corporation Plc. The Company’s share of the consideration for its 24.2% shareholding in Bilboes will be 800,000 shares in Caledonia together with a 1% net smelter royalty (“NSR”) over the future gold production from the Bilboes properties. Completion of the transaction is subject to a number of conditions precedent, which are expected to be satisfied before the end of 2022.

There were no other events subsequent to the period end that had a material impact on the Company.