



**BAKER STEEL RESOURCES TRUST LIMITED**

(Incorporated in Guernsey with registered number 51576 under the provisions of The Companies (Guernsey) Law, 2008 as amended)

29 April 2024

**BAKER STEEL RESOURCES TRUST LIMITED**  
(the "Company")

**LEI: 213800JUXEVF1QLKCC27**

**Annual Report and Audited Financial Statements**  
**For the year ended 31 December 2023**

The Company has today, in accordance with DTR 6.3.5, released its Annual Report and Audited Financial Statements for the year ended 31 December 2023. The Report is available via [www.bakersteelcap.com/baker-steel-resources-trust/](http://www.bakersteelcap.com/baker-steel-resources-trust/) and the National Storage Mechanism.

Further details of the Company and its investments are available on the Company's website [www.bakersteelcap.com/baker-steel-resources-trust/](http://www.bakersteelcap.com/baker-steel-resources-trust/)

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**BAKER STEEL RESOURCES TRUST LIMITED****Annual Report and Audited Financial Statements****For the year ended 31 December 2023**

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**CHAIRMAN'S STATEMENT****AT 31 DECEMBER 2023**

After a difficult 2022, this year continued to be challenging for your Company: NAV per share decreased by 2.8% to 77.2 pence and the share price fell by 15.1%, albeit after some recovery in the second half of the year. The environment generally remained difficult for junior development companies needing finance to put their projects into production whilst sentiment in the capital markets remained 'risk off'. Producers fared somewhat better with the MSCI World Metals and Mining Index, comprising mostly mid-cap to large mining companies, rising 13.8% in Sterling terms. Interest rates have remained higher for longer due to persistent inflation which has increased the risks of a hard landing, and investors remain cautious about the global economy and prospects for industrial production levels which are the key driver of demand for commodities.

Notwithstanding the tough environment we were particularly pleased that your Company's largest investment, Futura Resources, secured the A\$30m needed to commence production at the first of its two Queensland based steel making coal mines in September 2023. Since then, Futura has been able to fast track the Wilton open pit mine into production and first mined coal was trucked to nearby Gregory Crinum Coal Handling and Preparation Plant at the beginning of March 2024. As a result of this, Futura is now in advanced negotiations to secure a A\$30m pre-payment debt offtake and marketing facility with a major coal trading company to fund its second open pit mine, Fairhill, which is located immediately to the north of Wilton. This would allow mining to commence at Fairhill in September 2024.

At full capacity the Wilton and Fairhill mines together are projected to produce some 1.5 to 2 million tonnes of saleable product for at least the next 15 years, at a current operating cost of around US\$85 per tonne. The price of hard coking coal remained relatively strong during 2023 reaching as much as US\$300 per tonne in the latter half. The outlook for demand continues to look robust: as coking coal is essential to steel production in conventional blast furnaces which are likely to be the mainstay for primary steel production for many years to come, especially in the context of the developing world. Moreover, coking coal supply is expected to remain constrained due to increasingly constrained financing and licencing conditions for new coal mines. This is due to activists and investors failing to draw a distinction between metallurgical coal for steel making (as is the case for Futura's mines) or thermal coal used for electricity generation which can have much more negative environmental implications.

Our second largest investment, CEMOS Group Plc, which produces cement in Morocco, had a successful 2023 achieving its fourth year of profitable production since inception. Subdued economic activity in the area served by CEMOS resulted in sales being 10% down on 2022 at 185,000 tonnes. Importantly, however, CEMOS has initiated construction of a calcination plant which will facilitate production of cement with a lower carbon footprint and which is scheduled to commence operations towards the end of 2024. The facility plans to produce clinker, which is the main ingredient in producing cement, as well as Supplementary Cementitious Materials (SCMs) which reduce the amount of clinker used in the final cement product thereby lowering associated carbon emissions. By generating its own clinker and SCMs, CEMOS expects to significantly reduce costs and enhance the operating margin to around €50 per tonne of cement produced as well as strengthening its green credentials. Once the clinker plant is operating satisfactorily, CEMOS plans to construct the second grinding line which it acquired in 2022 and which should allow it to double production at the new enhanced margins with ramp up expected in 2025.

Your Company's two largest investments now comprise some 65% of its net assets which is not ideal from a portfolio concentration standpoint. However, this situation is largely a measure of their success and has been a price worth paying. We expect that BSRT can look forward to receiving significant dividends and royalty payments in the coming years which will support distributions to our shareholders as well as providing the necessary cash to diversify the portfolio when attractive opportunities arise. Assuming conversion of the convertible loans in both companies, we will hold approximately 31.3% of CEMOS and 24.3% of Futura as well as the 1.5% gross revenue royalty on coal production from Futura which will start to be received later this year.

In another development, the sale of Bilboes to Caledonia Mining Plc was closed at the beginning of 2023. A key component of the transaction for us was the grant of a 1% net smelter royalty on gold produced from the mine in future in addition to our shares in Caledonia. In March 2024, Caledonia announced that it is still considering ways to reduce the initial capital cost of the mine which the Bilboes Feasibility Study had concluded could produce some 170,000 ounces of gold per annum. It is likely to take at least three years before the mine can achieve full production at which point the Company expects to receive some US\$3 million per annum from the royalty.

Progress on the smaller investments in the portfolio can be found in the Investment Managers Report.

## **Outlook**

The outlook for raising mining development finance is expected to remain challenging in 2024 albeit with some improvement beginning to emerge. Whilst investors have been firmly in "risk off" mode in recent years, now that interest rates appear to have

peaked and as monetary policy starts to ease we are hopeful that the picture will improve in the second half of this year. High real interest rates in the fight against inflation have been a significant headwind for most if not all financial assets and the prospect of lower rates ahead is encouraging for our sector, which as we know tends to be particularly cyclical.

## **Outlook (continued)**

However some risk remains that central bankers may be overly hawkish and that a soft landing for the world's leading economies is not achieved.

Higher energy costs in Europe following the Ukraine war do seem to be taking their toll on the German economy in particular,

traditionally the powerhouse of the Eurozone. Nevertheless, the structural case for those metals and commodities essential for the electrification and decarbonisation transition continues to strengthen. Heightened geopolitical tensions will likely increase trends towards de-globalisation and the security of supply of critical minerals as well as potentially significant re-armament programmes, should underpin commodity prices in the longer term. The Company will continue to support its existing investments to unlock value as it did with the Futura Resources financing in September 2023. It is not intending to make any significant new investment until it has been able to make a realisation which would also trigger a distribution to shareholders.

Towards the end of 2023, we welcomed Aztec Financial Services as Administrator and Company Secretary and Liberum Wealth as Custodian following a thorough process to replace HSBC who had held these roles since the Company's listing in 2010. I am pleased to say the transition has gone extremely smoothly.

At the next AGM which is scheduled for 12 September 2024, we will propose a resolution to discontinue the Company as required by our Articles of Incorporation every 3 years. Given that our key investments are close to a point where they should generate significant income for the Company as outlined above, the Board and Investment Manager very much hope that shareholders will vote against the discontinuation resolution.

Finally, I will be stepping down from the Board at the end of the year after 14 years as Chairman since the Company's listing. I am pleased that the Board has decided that Fiona Perrott-Humphrey will take the Chair on my retirement. With her considerable knowledge of the sector and the participants within it, she will be well placed to lead the Company into the future. I would like to thank shareholders and my fellow directors for their support and I wish the Company all the best for the future.

Howard Myles  
Chairman  
26 April 2024

## INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2023

### Financial Performance

The audited Net Asset Value per Ordinary Share ("NAV") as at 31 December 2023 was 77.2 pence, a decrease of 2.8% in the year compared with the increase in the MSCI World Metals and Mining Index of 13.8% in Sterling terms.

For the purpose of calculating the NAV per share, unquoted investments were carried at fair value as at 31 December 2023 as determined by the Directors and quoted investments were carried at their quoted prices as at that date.

Net assets at 31 December 2023 comprised the following:

	£m	% net assets
Unquoted Investments	69.5	84.5
Quoted Investments	12.4	15.1
Cash and other net assets	0.3	0.4
	<hr/> 82.2	<hr/> 100.0

### Investment Update

#### Largest 10 Holdings - 31 December 2023

	% of NAV
Futura Resources Ltd	36.3
CEMOS Group Plc	29.3
Bilboes Gold Royalty	7.2
Caledonia Mining Corporation Plc	5.4
Kanga Investments Ltd	3.6
Silver X Mining Corporation	3.5
Nussir ASA	4.1
Metals Exploration Plc	3.0
First Tin plc	2.1
Tungsten West Plc	1.7

	96.2
Other Investments	3.4
Cash and other net assets	0.4
	<u>100.0</u>

#### **Largest 10 Holdings - 31 December 2022**

	<b>% of NAV</b>
Futura Resources Limited	27.7
CEMOS Group Plc	22.8
Bilboes Gold Limited	16.2
Kanga Investments Limited	5.7
Tungsten West Plc	5.4
Silver X Mining Corporation	5.4
First Tin Plc	4.8
Nussir ASA	4.1
Metals Exploration plc	1.7
PRISM Diversified Limited	1.5
	<u>95.3</u>
Other Investments	4.5
Cash and other net assets	0.2
	<u>100.0</u>

#### **Review**

At the year end, the Company was fully invested, holding 16 investments of which the top 10 holdings comprised 96.2% of the portfolio by value. In terms of commodity the portfolio has exposure to cement, copper, gold, iron, lead, lithium, potash, silver, steel making coal, tin, tungsten, vanadium, and zinc. Its projects are located in Australia, Canada, Germany, Indonesia, Madagascar, Morocco, Norway, Peru, the Philippines, Republic of Congo, Russia, the UK and Zimbabwe.

During the year, mining market performance showed diversity by commodity and particularly with stage of development. Junior companies continued to struggle to raise funds to continue exploration and those looking to develop new projects found risk capital difficult to source. Producers fared better particularly those with exposure to iron ore. The MSCI World Metals and Mining Index composed of large and mid-cap companies rose 13.8% in Sterling terms. The Company's NAV which is more exposed to developing companies fell 2.8% during the year.

All expressed in US dollar terms, gold rose 13.1% and silver was down 0.7% during 2023. Base metals prices ended the year largely unchanged with copper up 1.2%, tin up 1.7% and tungsten down 3.1%. The exceptions were the steel making minerals: iron ore up 25.7% and metallurgical coal up 7.6%. Potash continued its return towards long term prices, falling 42.0% after peaking in 2022.

The Company's NAV fell 2.8% in Sterling terms during the year with rises in the carrying values of Futura and CEMOS being outweighed by falls in the quoted prices of Tungsten West, First Tin and Azarga Metals Corporation and a reduction in the valuation of Kanga Investments.

The Company's main investments at the year-end:

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

Futura owns the Wilton and Fairhill steel making coal projects in the Bowen Basin in Queensland, Australia which hold Measured and Indicated resources of 843 million tonnes of coal.

Investment: 11,309,005 ordinary shares (26.9%) valued at £11.1 million  
1.5% Gross Revenue Royalty valued at £15.9 million  
A\$4.7 million convertible loan valued at £2.8 million

In September 2023, Futura completed a A\$30 million financing package to fund the commencement of production of steel making coals at its Wilton Mine in Queensland, Australia. The funding package comprised a A\$30 million 3-year term unsecured redeemable convertible note issue, accompanied by in-kind commitments from a number of contractors and suppliers to the value of c. A\$5 million.

Development of Wilton commenced immediately following the financing and first coal was delivered to the Gregory Crinum wash plant at the beginning of March 2024. Futura is in the final stages of raising prepayment finance to fund the Fairhill mine, which is expected to be in production during the third quarter of 2024. Once in full production, Futura anticipates that the two mines will

produce approximately 1.5 to 2 million tonnes in saleable primary and secondary coking coal products from its two mines at a cost of around US\$85 per tonne.

Industry consultants have been increasing longer term price assumptions for coking coal due to expectations of medium-term supply constraints coupled with strong demand increases anticipated for seaborne imports, most notably to India. Once both mines are in full production in 2025, Futura forecasts generating an EBITDA of A\$92m, based on forward coal price expectations.

#### ***CEMOS Group Plc ("CEMOS")***

CEMOS is a private cement producer with production operations at Tarfaya in Morocco.

Investment: 24,004,167 ordinary shares (24.3%) valued at £11.4 million  
1,045 Convertible Loan Units valued at £12.6 million  
Percentage of Company owned at full conversion 31.3%

The cement market in CEMOS's southern area of Morocco was subdued in the first half of 2023 but recovered in the second half so that sales for the year totalled 185,000 tonnes, approximately 10% down on the 203,000 tonnes achieved in 2022. As a result the unaudited EBITDA for the year was estimated at €6 million (2022 €8 million). Major Moroccan Government and foreign investment initiatives are expected to provide a boost to the southern Moroccan cement market over the coming years and CEMOS expects performance in 2024 to recover to around 2022 levels.

#### ***CEMOS Group plc ("CEMOS") (continued)***

During the second half of 2023, CEMOS commenced the development of a Compact Calcination Unit (CCU) at the Tarfaya cement plant site to produce its own clinker and supplementary cementitious materials (SCMs), the principal raw materials in cement production. This will not only provide security of supply of clinker but should materially reduce costs as well as lowering the carbon footprint associated with cement production. Commissioning of the calcination plant is expected to take place in the second half of 2024 with the full benefit realised from 2025 onwards.

During 2022 CEMOS acquired a second grinding plant essentially identical to the existing operation which will allow it to double its production. The commissioning of this second plant is anticipated to take place after the CCU plant has been established in order to manage the impacts on both financial and human resources. CEMOS is also testing potential for manufacture of 'green cement' products by replacing some clinker in the production process with more environmentally friendly SCM's such as natural and industrial pozzolans which would not only reduce the CO2 footprint of the operation but may also have a positive impact on costs.

#### ***Bilboes Gold Royalty***

The Company holds a 1% Net Smelter Royalty ("NSR") over future production from the Bilboes' gold project in Zimbabwe owned by Caledonia Mining Corporation Plc ("Caledonia").

Investment: 1% NSR valued at £5.9 million

The Bilboes properties host a JORC compliant Proved and Probable Reserve containing 1.8 million ounces of gold out of a total Mineral Resource of 3.8 million ounces of gold.

On 28 March 2024, Caledonia announced that it is evaluating the initial results of the ongoing work on revised feasibility studies for Bilboes with a specific focus on reducing the initial capital expenditure profile, thereby enhancing the project economics. They are looking at scenarios including the development of a mine producing on average 170,000 ounces gold per annum as outlined in the 2022 Bilboes Gold feasibility study as well as a phased approach. A further announcement is expected in the second quarter.

At the year end the Company based its valuation on the expected phased approach to production and will update this to the revised production rate when it reviews the valuation at 30 June 2024.

#### ***Caledonia Mining Corporation Plc ("Caledonia")***

Caledonia is a NYSE, AIM and Victoria Falls Exchange listed gold producer whose primary assets are the producing Blanket Mine and the Bilboes gold project (outlined above) both in Zimbabwe

Investment: 455,000 ordinary shares (2.4%) valued at £4.4 million

Caledonia reported annual gold production at its Blanket gold mine in Zimbabwe of 75,416 oz in 2023, in line with guidance. However increased operating costs during the year and several significant one-off, non-operating costs in the final quarter of the

year resulted in reduced operating profit for the full year of US\$41.5 million.

A significant proportion of the cost increases in 2023 are not expected to be carried through into 2024 and Caledonia has provided 2024 gold production guidance at Blanket of 74,000 to 78,000oz with AISC guidance of between US\$1,370 and US\$1,470/oz.

Following positive drilling results at Blanket, Caledonia expect to publish a revised resource statement in the second quarter of 2024 which should incorporate an increase in Blanket's life of mine.

Caledonia currently pays a dividend of US\$0.14 per quarter. It is expected that at least this level of dividend will continue until the Bilboes project can be brought into production.

#### ***Nussir ASA ("Nussir")***

Nussir is a Norwegian private company whose key asset is the Nussir copper project in northern Norway.

Investment: 12,785,361 ordinary shares (12.1%) valued at £3.2 million  
NOK 2,000,000 Loan Note valued at £0.16 million

In 2023, Nussir completed the update of the DFS on its Nussir copper project in northern Norway changing the operations from diesel based to one based on a fully electrified mine producing around 14,000 tonnes of copper per year over a 14 year mine life. The updated DFS economics gave a NPV8% of US\$191 million with an IRR of 22% based on a copper price of US\$8,000 per tonne. Nussir is currently in a formal process of seeking an industry partner to assist with financing the development of the mine.

#### ***Kanga Investments Ltd ("Kanga")***

Kanga is a private company which holds the Kanga potash project, in the Republic of the Congo.

Investment: 56,042 ordinary shares (6.6%) valued at £3.0 million

Kanga Potash completed a positive Feasibility Study in 2020 on its Kanga Potash project in the Republic of Congo for a mine producing 600,000 tonnes per annum of Muriate of Phosphate ("MOP"). The DFS economic model gave a Net Present Value at a 10% discount rate (NPV10) of US\$511 million with an IRR of 22% based on an MOP price of US\$282 per tonne compared to the current price of around US\$300 per tonne. In addition there is potential for the mine to be expanded on a modular basis up to 2.4M tonnes per annum over 30 years as set out in the Feasibility Study. In the second half of 2022 the government published a decree awarding the Kanga Exploitation/Mining Licence to Kanga Potash, a key condition for potential acquirors of the company, and in August 2023 Kanga signed the Mining Convention with the Government which sets out the fiscal environment for the project for the next 25 years. During 2024 Kanga plans to update the Feasibility Study prior to sourcing a partner to develop the project.

#### ***Silver X Mining Corporation ("Silver X")***

Silver X is a TSX-V listed company whose Recuperada silver/lead/zinc project in Peru comprises 11,261 Ha of mining concessions centred around a 600 tonne per day processing plant.

Investment: 19,502,695 ordinary shares (11.7%) valued at £2.9 million

During 2023 Silver X continued to ramp up production at its Nueva Recuperada Silver mine in Peru, producing 918,852 ounces of silver equivalent ("AgEq") (2022 893,458 AgEq ozs). The mine performed below the level anticipated during the first half of the year and therefore Silver X decided to pause operations in July 2023 whilst a new operational plan was implemented. Operations restarted in September and since that date there appears to be an improvement in production with 292,390 ounces AgEq produced in the fourth quarter.

In February 2023 Silver X released the results of a Preliminary Economic Assessment ("PEA") under Canadian National Instrument 43-101 Standards for the expansion of the Tangana Mining Unit at Nueva Recuperada. The PEA outlined the potential to increase annual production to 4.2 million ounces silver equivalent by constructing an additional recovery plant at a capital cost of US\$61 million to give a post-tax NPV10% of US\$175 million.

#### ***Metals Exploration plc ("Metals Ex")***

Metals Ex is an AIM listed company which owns the Runruno gold mine in the Philippines.

Investment: 96,610,000 ordinary shares (4.6%) valued at £2.5 million

During 2023 Metals Ex produced record annual gold sales of 85,744 ounces from its Runruno gold mine in the Philippines generating record annual positive free cash flow of US\$72.3 million, more than double the previous year. This strong performance allowed it to pay down the majority of its debt such that net debt at 31 December 2023 stood at US\$19.9 million.

Metals Ex also forecast production for 2024 of 74,000 - 80,000 ounces of gold at an AISC of between US\$1,175 and US\$1,275 per ounce of gold. This should allow Metals Ex to retire the remainder of its outstanding debt during the first half of 2024.

During January 2024 Metals Ex also announced the first step of its strategy to continue life of the company within the Philippines, once the Runruno Mine is exhausted in two to three years' time, through the conditional acquisition of the Abra Tenement. The Abra Tenement is an extensive exploration tenement covering some 16,200 hectares with multiple prospective targets in both gold and copper.

#### ***First Tin PLC ("First Tin")***

First Tin is a company listed on the London Stock Exchange which owns the Taronga tin project in Australia and the Tellerhäuser and Gottesburg tin projects in Germany.

Investment: 37,128,014 ordinary shares (14.0%) valued at £1.7 million

During the first half of 2023 First Tin completed the infill and extension drilling required for the feasibility study for Taronga open pit tin project in Australia. This successfully outlined a 400 metre extension to the resource area which, together with the use of a lower grade cut-off based on the results of a breakthrough in its mineral process test work, resulted in a 240% increase to 138,000 tonnes of contained tin in resource. The breakthrough allowed First Tin to simplify the mineral processing flowsheet by rejecting waste material at an earlier stage so that the proposed plant can handle a greater throughput which should significantly reduce the capital and operating costs of the mine. The lower operating and capital costs per tonne of ore mined, together with the increase in the resource at Taronga, have allowed First Tin to double the proposed throughput of the operation to 5 million tonnes of ore per annum producing around 3,500 tonnes of tin per annum. This will form part of a definitive feasibility study ("DFS") expected to be completed in the first half of 2024.

During the year First Tin submitted the complete documentation for its mine permit application to the Saxonian Mining Authority for the Tellerhäuser underground tin project. In the meantime, First Tin plans to publish an updated JORC compliant Resource on Tellerhäuser, expected in the first half of 2024.

#### ***Tungsten West Plc ("Tungsten West")***

Tungsten West owns the Hemerdon Tungsten Mine in Devon, United Kingdom and is quoted on the AIM market of the London Stock Exchange.

Investment: 28,846,515 ordinary shares (15.4%) valued at £0.36 million  
£1,200,000 convertible loan valued at £1.05 million  
1,657,195 second options valued at £0.001 million  
1,657,195 third options valued at £0.001 million

On 16 January 2023 Tungsten West announced the results of its updated feasibility study on the Hemerdon tungsten and tin mine in Devon. The feasibility study detailed a mine with average annual production of 2,900 tonnes of tungsten (WO<sub>3</sub>) and 310 tonnes of tin in concentrate over 27 years. The economics showed a post-tax NPV5 of £297 million with an Internal Rate of Return (IRR) of 25%. It also highlighted an upside case post-tax NPV5 of £416 million with an IRR of 32%. Total pre-production capex, corporate commitments and working capital was estimated at £54.9 million. Key to the economics of the project is the production of secondary aggregates, a by-product from mining which, once sold, will provide an early revenue stream and reduce the storage of barren rock and associated operating expenditure at site. To enable the delivery of the aggregates business, and to optimise the core tungsten and tin business, in December 2023 Tungsten West's Section 73 application, to vary the tonnage cap associated with the existing permission for 50 truck movements per day from the site, was approved by Devon County Council. In February 2024 Tungsten West received a draft permit from the Environment Agency for the operation of the Mineral Processing Facility ("MPF") at Hemerdon. With the permitting process almost finalised, Tungsten West will update the feasibility study with a view to raising the capital for redevelopment in the second half of 2024.

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

PAL is a private company which holds a 1.8% to 0.9% (reducing over 10 years) net smelter royalty over the Prognoz silver project ("Prognoz"), 444km north of Yakutsk in Russia, from Polymetal International. Prognoz has a 267-million-ounce silver equivalent Indicated and Inferred Mineral Resource at a grade of 755 g/t silver equivalent.



Investment: 16,352 ordinary shares (49.99%) valued at £0.8 million

In February 2024 Polymetal International, announced the sale of its Russia business which included the Prognoz silver project. However, the liability to pay the net smelter royalty to PAL remains with Polymetal (which is now domiciled in Kazakhstan) and the royalty contract has no Russian entities as parties to the Agreement. Ore is being transported to the Nezhda mine concentrator (part of the business being sold) with first production expected in the second quarter 2024.

*Baker Steel Capital Managers LLP*

*Investment Manager*

*26 April 2024*

## PORTFOLIO STATEMENT

AT 31 DECEMBER 2023

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<b>Listed equity shares</b>			
<b>Australian Dollars</b>			
4,091,910	Akora Resources Limited	306,520	0.37
	<b>Australian Dollars Total</b>	<b>306,520</b>	<b>0.37</b>
<b>Canadian Dollars</b>			
19,502,695	Silver X Mining Corporation	2,891,516	3.52
6,519,395	Azarga Metals Corp	188,483	0.23
	<b>Canadian Dollars Total</b>	<b>3,079,999</b>	<b>3.75</b>
<b>Great Britain Pounds</b>			
37,128,014	First Tin Plc	1,704,176	2.07
96,610,000	Metals Exploration plc	2,492,538	3.03
340,000	Caledonia Mining Corp Plc	3,315,000	4.04
28,846,515	Tungsten West Plc	359,139	0.44
	<b>Great Britain Pounds Total</b>	<b>7,870,853</b>	<b>9.58</b>
<b>United States Dollars</b>			
115,000	Caledonia Mining Corp Plc	1,102,042	1.34
	<b>United States Dollars Total</b>	<b>1,102,042</b>	<b>1.34</b>
	<b>Total investment in listed equity shares</b>	<b>12,359,414</b>	<b>15.04</b>
<b>Debt instruments</b>			
<b>Australian Dollars</b>			
94	Futura Resources Limited Convertible Loan	2,812,916	3.42
	<b>Australian Dollars Total</b>	<b>2,812,916</b>	<b>3.42</b>
<b>Canadian Dollars</b>			
305,000	PRISM Diversified Limited Loan Note 1	89,409	0.11
250,500	PRISM Diversified Limited Loan Note 2	284,877	0.35
	<b>Canadian Dollars Total</b>	<b>374,286</b>	<b>0.46</b>
<b>Euro</b>			
1,045	CEMOS Group Plc	12,616,713	15.36
	<b>Euros Total</b>	<b>12,616,713</b>	<b>15.36</b>
<b>Great Britain Pounds</b>			
1,200,000	Tungsten West Convertible Loan	1,048,680	1.28
	<b>Great Britain Pounds Total</b>	<b>1,048,680</b>	<b>1.28</b>
<b>United States Dollars</b>			
7,028,352	Black Pearl Limited Partnership	343,388	0.42
	<b>United States Dollars Total</b>	<b>343,388</b>	<b>0.42</b>
<b>Norwegian Krone</b>			
2,000,000	Nussir ASA Loan Note	163,712	0.20
	<b>Norwegian Krone Total</b>	<b>163,712</b>	<b>0.20</b>

Norwegian Krone Total		103,712	0.20
Total investments in debt instruments		17,359,695	21.14
Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<b>Unlisted equity shares, warrants and royalties</b>			
<b>Australian Dollars</b>			
10,100,000	Futura Gross Revenue Royalty	15,907,605	19.36
11,309,005	Futura Resources Limited	11,073,378	13.48
<b>Australian Dollars Total</b>		<b>26,980,983</b>	<b>32.84</b>
<b>Canadian Dollars</b>			
666,667	Azarga Metals Warrants 09/15/2025	79	0.00
13,083,936	PRISM Diversified Limited	775,942	0.94
40,000	PRISM Diversified Limited - Royalty	23,723	0.03
324,000	Unkur Contingent Interest	48,037	0.06
<b>Canadian Dollars Total</b>		<b>847,781</b>	<b>1.03</b>
<b>Great Britain Pounds</b>			
24,004,167	CEMOS Group Plc	11,425,983	13.91
1,657,195	Tungsten West Plc Second Option Share Warrants 18/10/2026	663	0.00
1,657,195	Tungsten West Plc Third Option Share Warrants 18/10/2026	994	0.00
<b>Great Britain Pounds Total</b>		<b>11,427,640</b>	<b>13.91</b>
<b>Norwegian Krone</b>			
12,785,361	Nussir ASA	3,206,973	3.90
<b>Norwegian Krone Total</b>		<b>3,206,973</b>	<b>3.90</b>
<b>United States Dollars</b>			
100	Bilboes Holdings (Private) Limited - Royalty	5,901,805	7.18
56,042	Kanga Investments Limited	2,997,791	3.65
16,352	Polar Acquisition Limited	787,934	0.95
<b>United States Dollars Total</b>		<b>9,687,530</b>	<b>11.78</b>
<b>Total Unlisted equity shares, warrants and royalties</b>		<b>52,150,907</b>	<b>63.46</b>
<b>Financial assets held at fair value through profit or loss</b>		<b>81,870,016</b>	<b>99.64</b>
<b>Other Assets &amp; Liabilities</b>		<b>289,563</b>	<b>0.36</b>
<b>Total Equity</b>		<b>82,159,579</b>	<b>100.00</b>

## STRATEGIC REPORT

AT 31 DECEMBER 2023

### 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 and the next discontinuation vote will be held at the AGM in 2024 which is scheduled for 12 September 2024.

### 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 11.

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.

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. At the year-end the Company's Ordinary shares traded at a discount to NAV of 49%, however the Directors consider that the Company does not currently have sufficient surplus funds to buy back shares, irrespective of other considerations such as long term market liquidity and the effect on its Ongoing Charges Ratio.

The Board continues to review the Company's 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 2023, the Board comprised four Directors (2022: 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.

#### **Investment Management (continued)**

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.

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 and energy, 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 focusses 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.

**Investment Restrictions (continued)**

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.

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.
- The Company's investment in Futura Resources Limited ("Futura") may exceed the limit set out above provided that the Company will not invest or lend more than 35 per cent in aggregate of the value of its gross assets in Futura 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 2023.

#### **Hedging**

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

#### **Performance**

The Company monitors NAV against the MSCI World Metals and 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 pages 1 to 2 and the Investment Manager's Report on pages 3 to 7.

#### **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 continues to be climate change. Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns.

#### **Principal risk and uncertainties (continued)**

#### **Emerging Risks and Uncertainties (continued)**

The Board has implemented an environmental, social and governance ("ESG") policy which has been developed from the Investment Manager's own ESG policy. The Company's ESG policy is available on its website. Despite the need for many metals to enable the global move away from fossil fuels, mining is perceived to be harmful to the environment which can result in delays to licences being awarded by government bodies.

The Board will continue to monitor the growing risks identified by ESG and the resulting pressures on its investments.

**Fund Concentration Risk**

As at reporting date, two largest investments now comprise some 65% of the Company's net assets are CEMOS and Futura. The Investment Manager reviews top holdings on an ongoing basis and the Board reviews concentration risk at each Board meeting. The Board has reasonable expectation of some significant dividends and royalty payments in the coming years which will support both distributions to our shareholders as well as enabling the Company to diversify its portfolio when attractive opportunities arise.

**Russia Risk**

The invasion of Ukraine and resulting sanctions on Russia, 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 in 2022, the Company reduced its carrying values of PAL to reflect the risk that Polymetal may not be able to pay the royalty when due and the question of whether PAL is able to receive payments either due to the risk of potential sanctions, or the lack of willingness of participants in the banking system to deal with relevant counterparties. As at year end, because of higher discount rate and higher deductions assumed brought by this risk, the valuation of PAL is reduced by 18.2% when compared to last year.

**Inflation Risk**

Notwithstanding the improved inflationary position, there remains a risk that geopolitical tensions may again cause rising energy prices and disrupt supply chains causing further inflationary pressures. This, plus monetary tightening undertaken by central banks to curb inflation, raises the risk of a global recession which would be negative for commodity prices.

There is a growing risk that measures imposed by Governments in response to cost-of-living challenges will impact on the Company's investments, specifically increased taxes or royalties imposed by Governments may have implications on net sales prices received by investee companies.

**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 50 to 54.

The Company's investment activities also expose it to a variety of financial risks including in particular foreign currency risk. An analysis of sensitivity to foreign exchange is presented on pages 50 to 51.

**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 nature of the investment strategy means that portfolio diversification cannot be rebalanced on a short-term basis.

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.

**Principal risk and uncertainties (continued)****Portfolio management and Performance risks (continued)**

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. The next vote is scheduled for 12 September 2024. 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.

Following consultation with major shareholders by the Investment Manager, the Directors consider it likely that the discontinuation vote will not be passed. The Board tabled such resolutions in previous AGM in 2018 and 2021 and each occasion the resolution was not passed.

#### **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. 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 a three-year period. 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 expected income from interest, royalties and dividends is projected to cover budgeted expenses over the three-year period. In addition over the three-year period and under the highly stressed conditions modelled, regular realisations of the Company's listed equities could replace expected income if required. The Directors believe this to be reasonable given that the majority of these equities are traded at sufficient volumes in the context of the 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. CEMOS, with the support of the Company as its largest shareholder, is constructing a calcination unit at its Morocco operations which it is aimed will allow production of cement with an associated lower carbon footprint and the offer of 'greener' cement products to customers.

### 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.

### Stakeholder Engagement

During the year-ending 31 December 2023, the Board sought to voluntarily comply with the requirements of Section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of all stakeholders.

### Identification of key stakeholders

As an externally managed investment company, the Company has no employees, operations or premises. The Board has identified its key stakeholders as the Company's shareholders, the Investment Manager, other service providers and the Investee Companies,

### Engagement with stakeholders

The table below explains how the Board have engaged with all stakeholders.

Stakeholder	Engagement
Shareholders	<p>The Board seeks an open and constructive engagement with shareholders who have the opportunity to vote at and to attend the Company's AGM.</p> <p>The annual and half year results are available on the Company's website with the results and monthly updates also announced via a regulatory news service.</p> <p>The Board receives regular updates on the shareholder register and any trading activity and feedback received from investor meetings and briefings conducted by the Investment Manager, the Broker and research analysts.</p>
Investment Manager	<p>Open and collaborative dialogue is maintained between the Board and the Investment Manager.</p> <p>The Investment Manager is invited to all Board and Audit Committee meetings and provides regular reports on the performance of the investments and any potential issues the Board needs to be aware of.</p>
Other Service Providers	<p>The Board receive reports from all service providers at each meeting.</p> <p>The Administrator attends all Board and Committee meetings.</p> <p>During 2023, the Company changed Administrator, Custodian and Depository.</p>
Investee Companies	<p>The Board receives detailed updates on operating performance of material investee companies provided at each meeting. Additionally, the Board receives details of projects being undertaken by the investee companies, including where these may require the Company to consider providing financial support. Though its investments and board positions on investee companies, the Company seeks to promote good ESG practice, with particular attention to Health and Safety of employees at investee companies.</p>

### Stakeholder Engagement (continued)



### Key Decisions

Key decisions are those that are material or of strategic importance to any of the Company's key stakeholders as described above. An example of a key decision made during the year was the subscription into the Futura convertible loan to enable that company to move into production. The Company's subscription on Futura alongside the other investors, has enabled its operation to further advance to its production stage. Once in full production, the Company can look forward to receiving royalty payments in the coming years which will support distributions to shareholders as well as providing the necessary cash to diversify the Company's portfolio.

### 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 1 and 2 and the Investment Manager's Report on pages 3 to 7.

Signed on behalf of the Board of Directors by:

John Falla

26 April 2024

### 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. 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 Chelverton UK Dividend Trust plc which is listed on the London Stock Exchange.

Howard is a member of the Company's Audit Committee.

Howard will be stepping down from the Board at the end of the year after 14 years as Chairman as part of the Company's policy of refreshing the Board.

**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 14 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

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 was appointed in 2020 as a non-executive director and is a member of the Company's audit committee.

**John Falla:** John qualified as a chartered accountant with Ernst and Young in London, before transferring to its Corporate Finance Department, specialising in the valuation of unquoted shares and securities. On his return to Guernsey in 1996 he worked for an international bank before joining The International Stock Exchange (formerly the Channel Islands Stock Exchange) on its launch in 1998 as a member of the Market Authority. In 2000 Mr Falla joined the Edmond de Rothschild Group, where he provided corporate finance advice to international clients including open and closed-ended funds, and institutions with significant property interests. He was a director of a number of Edmond de Rothschild operating and investment entities, retiring in 2015.

Mr Falla has been a non-executive director of London listed companies for over 10 years and is an experienced audit committee chair. He is currently a director and audit committee chair of NB Private Equity Partners Limited and of Marble Point Loan Financing Limited.

John was appointed as a non-executive director in 2022 and has been the Chairman of the Audit Committee since 31 December 2022.

## **DIRECTORS' REPORT**

### **For the year ended 31 December 2023**

The Directors of the Company present their fourteenth annual report and the audited financial statements (the "Annual Report") for the year ended 31 December 2023.

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.bakersteelcap.com/baker-steel-resources-trust/](http://www.bakersteelcap.com/baker-steel-resources-trust/).

### **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 11.

### **Performance**

In the year to 31 December 2023, the Company's NAV per Ordinary Share decreased by 2.8% (2022: 19.3%). This compares with a rise in the MSCI World Metals and Mining Index (capital return in Sterling terms) of 13.8% (2022: 10.2%). A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 3 to 7.

The results for the year are shown in the Statement of Comprehensive Income on pages 36 and 37 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 35.

### **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. The Board also intends to formulate a more regular dividend policy once it starts to receive significant income from its by way of dividends and 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 2023.

#### **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  
John Falla

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 17 of the Annual Report.

#### **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 or her interests at each Board Meeting. No Director has any material interest in any other contract which is significant to the Company's business.

As of 31 December 2023, John Falla held 100,000 (2022: 60,000) shares in the Company. 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 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 (2022: 106,453,335) Ordinary Shares outstanding with an additional 700,000 (2022: 700,000) held in treasury. The Company has 9,167 (2022: 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.

#### **Significant Shareholdings**

As at 31 December 2023, 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</b>	<b>% of Total Shares in issue</b>
The Sonya Trust	12,637,350	11.87
Northcliffe Holdings Pty Limited	12,460,677	11.71
Overseas Asset Management	12,265,915	11.52
Asset Value Investors	9,050,000	8.50
First Equity	9,000,000	8.45
RIT Capital Partners	7,766,803	7.30
Hargreaves Lansdown Asset Management	4,273,650	4.01
Jarvis Investment Management	3,426,512	3.22

The Investment Manager, Baker Steel Capital Managers LLP had an interest in 9,167 Management Ordinary Shares at 31 December 2023 (31 December 2022: 9,167).

Baker Steel Global Funds SICAV - Precious Metals Fund ("Precious Metals Fund") no longer had an interest in Ordinary Shares in the Company at 31 December 2023 (2022: 4,022,877). Precious Metals Fund has the same Investment Manager as the

in the Company at 31 December 2023 (2022: 4,722,911). 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 Pty Limited and The Sonya Trust respectively.

### **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 position and performance, business 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 or she ought to have taken as a director to make himself or herself 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 to satisfy themselves that it is reasonable to assume that the Company is a going concern and considered it appropriate to adopt the going concern basis of accounting. The Directors have considered carefully the liquidity of the Company's investments and the level of cash. As at 31 December 2023, approximately 12% of the Company's assets were represented by cash and unrestricted listed and quoted investments which are readily realisable. The Board are satisfied that the Company has the resources to continue in business for at least 12 months following the signing of these financial statements.

An additional factor which the Directors have considered is the discontinuation vote which will be put to shareholders at the upcoming AGM which is scheduled for 12 September 2024. To be passed, the discontinuation vote requires a majority of 75% of those shareholders voting. If the resolution were to be passed, the Directors will be required to formulate proposals to be put to shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. Following consultation

with major shareholders, the Directors consider it likely that the discontinuation vote will not be passed. The Board tabled such resolutions in previous AGM in 2018 and 2021 and each occasion the resolution was not passed.

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 10.

#### **Corporate Governance Compliance**

The Company is a member of the Association of Investment Companies.

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.

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 on pages 21 to 24 relating to:

- The requirement for a Senior Independent Director
- Nomination and Remuneration Committees
- The requirement for an internal audit function

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 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.

There is no formal policy in respect of the tenure of the Chairman. The Board have initiated a process of refreshing its membership and in recent years three directors have retired with new appointments made. The Chairman will be stepping down from the Board at the end of the year after 14 years as part of this succession programme.

##### **• 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.

Director to be appointed.

- Appointment and re-election

The Company has a transparent procedure for the appointment and re-election of the Directors and independent recruitment consultants may be used where appropriate as was the case in 2022 when OSA assisted in the recruitment of Mr Falla. There are no service contracts in place for the Directors. The Directors are not required to retire by rotation. Instead each director puts himself or herself 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. The Board will seek the assistance of recruitment specialists to identify suitable candidates for the Board to consider.

## **Corporate Governance Compliance (continued)**

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

- Appointment and re-election (continued)

Howard Myles and Charles Hansard have served as Directors for 14 years. The Board believes that both these directors continue to demonstrate independence of the Manager and to make a valuable contribution to the Company. Mr Myles has already indicated his intention to step down at the end of the year and therefore the Board recommends that shareholders vote in favour of the reappointment of all directors. The Board has a succession plan under which its membership will be refreshed over time. 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 annual rigorous assessment process led by the Chairman and facilitated by the Company Secretary. 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
John Falla	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.

## 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, Deutsche Numis, 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, Stockbroker and Investee Companies. 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. The engagement with stakeholders is covered in more detail in the Strategic Report on pages 15 to 16.

- 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 importance of diversity and the need to maintain a Board with a spectrum of backgrounds and skills appropriate for the specifics of the Company which helps create an environment for successful and effective decision-making. Due to the small size of the Board, specific targets on diversity are currently not met and the plans to address these targets for diversity metrics are currently under regular review and will be taken into account when appointing further board members in the future. Recruitment agencies who assist with identifying candidates for Board appointments are also instructed to do so with diversity in mind.

## Committees

The Audit Committee is the sole committee of the Board. Terms of Reference for the Audit Committee are available on the Company's webpage [www.bakersteelcap.com/baker-steel-resources-trust/](http://www.bakersteelcap.com/baker-steel-resources-trust/).

- 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.

John Falla is the 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.

#### **Corporate Governance Compliance (continued)**

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

#### **Internal Controls (continued)**

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.

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. Effective 1 October 2022 the Board, recognising the Board remuneration was below market rates having not changed since the Company's flotation in 2010, resolved to increase their remuneration to £32,500 per annum for each Director. The Chairman receives a supplement of £10,000 per annum and the Chairman of the Audit Committee a supplement of £5,000 per annum.

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 2023, the total remuneration of the Directors was £145,000 (2022: £129,489). There were £36,250 of director fees payable at the year-end (2022: £Nil).

#### **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 2023 and 31 December 2022 are shown below.

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Howard Myles	42,500	36,875
David Staples (retired 31 December 2022)	-	31,875
Charles Hansard	32,500	26,875
Fiona Perrott-Humphrey	32,500	26,875
John Falla	37,500	6,989

#### **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 13 of the financial statements on page 59.

Signed on behalf of the Board of Directors by:

John Falla  
26 April 2024

## **REPORT OF THE AUDIT COMMITTEE**

### **For the year ended 31 December 2023**

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. John Falla is the Chairman of the Audit Committee. Fiona Perrott-Humphrey and Howard Myles are the other members of the Audit Committee. 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 typically meets four times a year, aligned to Board Meeting dates, 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 2023, 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.

Through its meetings during the year ended 31 December 2023 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 12-14 which were its primary area of focus.

<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 the discontinuation vote in the upcoming AGM scheduled for 12 September 2024 are considered. 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 external 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.

#### Particular area of focus in the current year

The Audit Committee was closely involved in assisting the Board in the selection of the new Administrator, seeking assurance as to its credentials to maintain the books and records of the Company and its ability to prepare the Company's financial statements. The Audit Committee liaised with the Auditors to ensure that the handover process would provide the Auditors with sufficient information to conduct their work, and assurance was obtained that the transfer of the assets and records of the Company was successful.

#### External Audit

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

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

		<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>£</b>
Audit fees	Audit Fees	75,000	70,000
Non-audit fees	Agreed Upon Procedures relating to the review of the Company's half year report	10,359	9,625
<b>Total Fees</b>		<b>85,359</b>	<b>79,625</b>

#### External Audit (Continued)

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.

The Audit Committee has reviewed the effectiveness of the auditor including:

- **Independence:** The auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure independence and confirms the same to the Audit Committee. The audit fees paid to BDO are presented on Page 27 of the Annual Report. The only non-audit fees paid to BDO are in relation to the Agreed Upon Procedures work completed on the Interim Report and Accounts. The audit director will rotate after 5 years; this is the fourth year of the current audit director.
- **Quality of Audit Work:** The Audit Committee assess the completion of the audit versus the plan and will seek feedback from the Investment Manager and the Administrator on any issues experienced through the Audit. The Chairman of the Audit Committee will separately engage with the audit director to discuss progress and issues with the audit.

#### **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 10 to 16 outlines the principal risks and uncertainties affecting the Company and the section on Internal Controls in the Directors Report on pages 18 to 25 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 position and performance, business 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 14 and 20, and has advised the Board accordingly.

#### **John Falla**

Audit Committee Chairman

26 April 2024

## **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 2023 and of its loss 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 2023 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 material accounting policy information.

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 ("IFRSs").

#### **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. Our audit opinion is consistent with the additional report to the audit committee.

#### *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;
- Challenging the Directors' cash flow forecasts for the twelve months from the authorisation of these financial statements by stress testing future income and expenditure, the ability to realise the Company's assets and the impact on the going concern assessment;
- Challenging the key inputs into the cash flow forecasts by comparing these with historic results of the Company and whether they were consistent with our understanding of the Company;
- Challenging the Directors around the 2024 discontinuation vote and its possible impact on the going concern status 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.

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.

#### **Conclusions relating to going concern (continued)**

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

#### **Overview**

	<b>2023</b>	<b>2022</b>
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<b>Key audit matters</b>	Valuation of unlisted investments	Yes	Yes
<b>Materiality</b>	<i>Financial statements as a whole</i> £1.44m (2022: £1.48m) based on 1.75% (2022: 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 investment portfolio, involvement of the Investment Manager and the Company's Administrators, 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 Investment Manager and the Company's Administrators. We considered the control environment in place at the Investment Manager and the Company Administrators 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. These matters were 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 these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
<b>Valuation of unlisted investments</b>	<p>Refer to the accounting policy information set out in Note 2 and also Note 3 to the Financial Statements.</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>Our procedures included the following:</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 Investment 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>
Key audit matter (continued)		How the scope of our audit addressed the key audit matter (continued)
	<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, which could significantly impact the valuation output.</p> <p>The valuation of these investments is a key driver of the Company's net asset value and</p>	<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> </ul>

	<p>total return. Accordingly, incorrect valuations of these investments could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders.</p> <p>We therefore consider this to be a key audit matter.</p>	<ul style="list-style-type: none"> <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 largest 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><b>Key observation:</b></p> <p>Based on the procedures performed, we are satisfied that judgements applied in valuing the unlisted investments are appropriate.</p>
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### 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:

	Company Financial statements	
	2023 £m	2022 £m
<b>Materiality</b>	1.44m	1.48m
<b>Basis for determining materiality</b>	1.75% of total assets	
<b>Rationale for the benchmark applied</b>	Due to the Company 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>	1.08m	0.97m
<b>Basis for determining performance materiality</b>	<p>75% of materiality</p> <p>This was determined using our professional judgement and considered the complexity and our knowledge of the engagement, together with history of minimal historical errors and adjustments. There is also a willingness to rectify through adjustments when needed.</p>	<p>65% of materiality</p> <p>This was determined using our professional judgement and considered the complexity and our knowledge of the engagement, together with history of minimal historical errors and adjustments.</p>

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £43,000 (2022: £44,000). 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.

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 Statement 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 or 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 the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 20; and</li><li>• The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why this period is appropriate set out on page 14.</li></ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"><li>• Directors' statement on fair, balanced and understandable set out on page 20;</li><li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 12 - 14 and 23;</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 28; and</li><li>• The section describing the work of the Audit Committee set out on page 23 and pages 26 to 28.</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.

*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 management bias and judgement involved in accounting estimates, specifically in relation to the valuation of unlisted 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 who were all deemed to have appropriate competence and capabilities 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;
  - Performing analytical procedures of the mid-year net asset valuations, with a focus on reviewing and corroborating movements over a set threshold.

**Auditor's responsibilities for the audit of the financial statements (continued)**

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.

**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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Notes	2023 £	2022 £
<b>Assets</b>			
Cash and cash equivalents		277,694	254,140
Interest receivable		190,249	57,917
Other receivables		30,355	17,899
Financial assets held at fair value through profit or loss	3	81,870,016	84,311,955
<b>Total assets</b>		<b>82,368,314</b>	<b>84,641,911</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Directors' fees payable	10	36,250	-
Management fees payable	7,10	57,735	69,854
Administration fees payable	6	37,083	9,659
Audit fees payable		75,000	70,000
Custodian fees payable		-	7,158
Other payables		2,667	2,392
<b>Total liabilities</b>		<b>208,735</b>	<b>159,063</b>
<b>Equity</b>			
Management Ordinary Shares	9	9,167	9,167
Ordinary Shares	9	75,972,688	75,972,688
Revenue Reserves		8,235,802	8,771,186
Capital Reserves		(2,058,078)	(270,193)
<b>Total equity</b>		<b>82,159,579</b>	<b>84,482,848</b>
<b>Total equity and liabilities</b>		<b>82,368,314</b>	<b>84,641,911</b>
Net Asset Value per Ordinary Share (in Pence)	11	77.2	79.4

The financial statements on pages 35 to 59 were approved and authorised for issue by the Board of Directors on 26 April 2024 and signed on its behalf by:

John Falla

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Year ended 2023 Revenue £	Year ended 2023 Capital £	Year ended 2023 Total £
<b>Income</b>				
Interest income	2(e)	599,973	-	599,973
Dividend income	2(f)	315,211	-	315,211
Net loss on financial assets at fair value through profit or loss	3	-	(1,786,066)	(1,786,066)
Net foreign exchange loss		-	(1,819)	(1,819)

<b>Net income / (loss)</b>		<b>915,184</b>	<b>(1,787,885)</b>	<b>(872,701)</b>
<b>Expenses</b>				
Management fees	7,10	795,890	-	795,890
Directors' fees	10	145,000	-	145,000
Administration fees	6	108,190	-	108,190
Other expenses	8	205,377	-	205,377
Depository fees		31,679	-	31,679
Custody fees		52,765	-	52,765
Broker fees		36,667	-	36,667
Audit fees		75,000	-	75,000
<b>Total expenses</b>		<b>1,450,568</b>	<b>-</b>	<b>1,450,568</b>
<b>Net loss for the year</b>		<b>(535,384)</b>	<b>(1,787,885)</b>	<b>(2,323,269)</b>
<b>Net loss for the year per Ordinary Share:</b>				
Basic and Diluted (in pence)	11	(0.50)	(1.68)	(2.18)

In the year ended 31 December 2023 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.

#### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		<b>Year ended 2022 Revenue £</b>	<b>Year ended 2022 Capital £</b>	<b>Year ended 2022 Total £</b>
<b>Income</b>	<b>Notes</b>			
Interest income	2(e)	549,607	-	549,607
Dividend income	2(f)	9,356	-	9,356
Net loss on financial assets at fair value through profit or loss	3	-	(19,038,918)	(19,038,918)
Net foreign exchange loss		-	(1,216)	(1,216)
<b>Net income / (loss)</b>		<b>558,963</b>	<b>(19,040,134)</b>	<b>(18,481,171)</b>
<b>Expenses</b>				
Management fees	7,10	1,160,507	-	1,160,507
Directors' fees	10	129,489	-	129,489
Administration fees	6	118,002	-	118,002
Other expenses	8	216,454	-	216,454
Depository fees		36,942	-	36,942
Custody fees		58,918	-	58,918
Broker fees		35,000	-	35,000
Audit fees		79,625	-	79,625
<b>Total expenses</b>		<b>1,834,937</b>	<b>-</b>	<b>1,834,937</b>
<b>Net loss for the year</b>		<b>(1,275,974)</b>	<b>(19,040,134)</b>	<b>(20,316,108)</b>
<b>Net loss for the year per Ordinary Share:</b>				
Basic and Diluted (in pence)	11	(1.20)	(17.88)	(19.08)

In the year ended 31 December 2022 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.

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	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 year	-	-	-	(1,275,974)	(19,040,134)	(20,316,108)
<b>Balance as at 31 December 2022</b>	<b>9,167</b>	<b>76,113,180</b>	<b>(140,492)</b>	<b>8,771,186</b>	<b>(270,193)</b>	<b>84,482,848</b>
Net loss for the year	-	-	-	(535,384)	(1,787,885)	(2,323,269)
<b>Balance as at 31 December 2023</b>	<b>9,167</b>	<b>76,113,180</b>	<b>(140,492)</b>	<b>8,235,802</b>	<b>(2,058,078)</b>	<b>82,159,579</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 2023 £	Year ended 2022 £
<b>Cash flows from operating activities</b>			
Net loss for the year		(2,323,269)	(20,316,108)
<i>Adjustments to reconcile net (loss) /gain for the year to net cash used in operating activities:</i>			
Interest income		(599,973)	(549,607)
Dividend income		(315,211)	(9,356)
Net loss on financial assets at fair value through profit or loss	3	1,786,066	19,038,918
Net (increase)/decrease in receivables		(12,456)	4,233
Net increase/(decrease) in payables		49,672	(76,633)
		<b>(1,415,171)</b>	<b>(1,908,553)</b>
Interest received		467,641	741,135
Dividend received		315,211	9,356
<b>Net cash used in operating activities</b>		<b>(632,319)</b>	<b>(1,158,062)</b>
<b>Cash flows from investing activities*</b>			
Purchase of financial assets at fair value through profit or loss		(7,871,359)	(1,882,060)
Sale of financial assets at fair value through profit or loss		8,527,232	2,216,780
<b>Net cash provided by investing activities</b>		<b>655,873</b>	<b>334,720</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,554</b>	<b>(823,342)</b>
Cash and cash equivalents at the beginning of the year		254,140	1,077,482
<b>Cash and cash equivalents at the end of the year</b>		<b>277,694</b>	<b>254,140</b>

\* As permitted under IFRS, purchases and sales of financial assets at fair value through profit or loss are classified as investing activities due the nature and intention to generate future income and cash flows from these investments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 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.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION**

### **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.

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (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 2024 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 material impact on the Company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (applicable for annual periods beginning on or after 1 January 2024).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (applicable for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU).
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for annual periods beginning on or after 1 January 2025, but not yet endorsed in the EU).

#### **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 the annual period beginning on or after 1 January 2023 and were adopted from their effective date.

The below new standards, amendments to standards and interpretations were effective for the current period, and with the exception of the Disclosure of Accounting Policies (Amendment to IAS 1) has not had a significant impact on the financial statements. The Disclosure of Accounting Policies amendment generated a review of and reduction in the accounting policy disclosures so that only the material accounting policy information is now provided. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements.

- IFRS 17 Insurance Contracts.
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (effective immediately - disclosures are required for annual periods beginning on or after 1 January 2023).

#### **b) SIGNIFICANT ACCOUNTING JUDGMENTS 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.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **b) SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)**

##### **(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**

The Directors, as advised by the Audit Committee, have made an assessment to satisfy themselves that it is reasonable to assume that the Company is a going concern and considered it appropriate to adopt the going concern basis of accounting. The Directors have considered carefully the liquidity of the Company's investments and the level of cash. As at 31 December 2023, approximately 12% of the Company's assets were represented by cash and unrestricted listed and quoted investments which are readily realisable. The Board are satisfied that the Company has the resources to continue in business for at least 12 months following the signing of these financial statements.

An additional factor which the Directors have considered is the discontinuation vote which will be put to shareholders at the upcoming AGM which is scheduled for 12 September 2024. To be passed, the discontinuation vote requires a majority of 75% of those shareholders voting. If the resolution were to be passed, the Directors will be required to formulate proposals to be put to shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. Following consultation with major shareholders, the Directors consider it likely that the discontinuation vote will not be passed. The Board tabled such resolutions in previous AGM in 2018 and 2021 and each occasion the resolution was not passed.

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.

##### **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. Please refer to Note 3 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.

**c) 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.

**d) Segment information**

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors as a whole. The key measure of performance used by the Directors to assess the Company's performance and to allocate resources is the Company's NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Annual Report.

The Directors are of the opinion that the Company is engaged in a single segment of business: investing in natural resources companies and therefore no aggregation of segments.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**e) 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.

**f) 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 (2022: £Nil).

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

<b>Investment Summary:</b>	<b>Year ended 2023 £</b>	<b>Year ended 2022 £</b>
Opening book cost	75,709,282	82,910,887
Purchases at cost	7,871,359	1,882,060
Proceeds on sale of investments	(8,527,232)	(2,216,780)
Net realised gains/(losses)	5,785,970	(6,866,885)
Closing cost	80,839,379	75,709,282
Net unrealised (loss)/gains	1,030,637	8,602,673
<b>Financial assets held at fair value through profit or loss</b>	<b>81,870,016</b>	<b>84,311,955</b>

The following table analyses net losses on financial assets at fair value through profit or loss for the years ended 31 December 2023 and 31 December 2022.

	<b>Year ended 2023 £</b>	<b>Year ended 2022 £</b>
<b>Financial assets at fair value through profit or loss</b>		
<i>Realised gains/ (losses) on:</i>		
- Listed equity shares	(1,338,513)	(1,438,318)
- Unlisted equity shares	7,123,472	(5,118,472)
- Debt instruments	1,011	(296,970)
- Warrants	-	(13,125)
	5,785,970	(6,866,885)
<i>Movement in unrealised losses on:</i>		
- Listed equity shares	(5,927,825)	(13,716,492)
- Unlisted equity shares	(5,665,664)	7,893,046
- Royalties	2,028,559	(2,763,850)
- Debt instruments	2,384,592	(2,675,240)
- Warrants	(391,698)	(909,497)
	(7,572,036)	(12,172,033)
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(1,786,066)</b>	<b>(19,038,918)</b>

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2023.

	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	12,170,931	188,483	-	12,359,414
Unlisted equity shares	-	-	29,480,067	29,480,067
Royalties	-	-	22,621,067	22,621,067
Warrants	-	-	49,773	49,773
Debt instruments	-	-	17,359,695	17,359,695
	12,170,931	188,483	69,510,602	81,870,016

### 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 2022.

	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	11,378,285	4,804,434	-	16,182,719
Unlisted equity shares	-	-	41,514,956	41,514,956
Royalties	-	-	14,808,689	14,808,689
Warrants	-	-	441,471	441,471
Debt instruments	-	-	11,364,120	11,364,120
	11,378,285	4,804,434	68,129,236	84,311,955

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 2023.

<b>31 December 2023</b>	<b>Unlisted Equities £</b>	<b>Royalties £</b>	<b>Debt instruments £</b>	<b>Warrants £</b>	<b>Total £</b>
Opening balance 1 January 2023	41,514,956	14,808,689	11,364,120	441,471	68,129,236
Purchases of investments	-	5,783,819	3,973,519	-	9,757,338
Sales of investments	(13,492,696)	-	(363,548)	-	(13,856,244)
Movement in net unrealised (losses)/gains	(5,665,664)	2,028,559	2,384,592	(391,698)	(1,644,211)
Realised gains	7,123,472	-	1,011	-	7,124,483
Closing balance 31 December 2023	29,480,068	22,621,067	17,723,242	49,773	69,510,602
Unrealised gains on investments still held at 31 December 2023	4,883,945	3,953,779	4,060,311	49,773	12,947,808

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 2022.

<b>31 December 2022</b>	<b>Unlisted Equities £</b>	<b>Royalties £</b>	<b>Debt instruments £</b>	<b>Warrants £</b>	<b>Total £</b>
Opening balance 1 January 2022	46,971,239	16,479,048	19,927,503	1,364,093	84,741,883
Purchases of investments	-	-	189,649	-	189,649
Sales of investments	-	1,093,491	(1,093,491)	-	-
Conversion*	(178,554)	-	-	-	(178,554)
Transfer out of Level 3	(8,052,304)	-	(4,687,331)	-	(12,739,635)
Movement in net unrealised gains/losses	7,893,046	(2,763,850)	(2,675,240)	(909,497)	1,544,459
Realised losses	(5,118,471)	-	(296,970)	(13,125)	(5,428,566)
Closing balance 31 December 2022	41,514,956	14,808,689	11,364,120	441,471	68,129,236
Unrealised gains on investments still held at 31 December 2022	10,549,611	1,905,220	1,675,718	441,471	14,572,020

\*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



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.

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

The following activities have taken place during the year ended 31 December 2023:

On 9 January 2023 the Company sold its investment in Bilboes Gold Limited to Caledonia Mining Corporation plc ("Caledonia"), the sale was settled by receipt of shares in Caledonia and the Bilboes Gold Royalty. The Bilboes Gold Royalty was presented as a Level 3 investment at the year end. Caledonia is NYSE, AIM and Victoria Exchange listed, and therefore considered Level 1 in the fair value hierarchy. The transaction resulted in the realisation of US\$9.7million previously unrealised gains in Bilboes.

Prior year end, the Company's investment in First Tin Plc was presented as Level 2 on the hierarchy, this was because although the shares were listed on the LSE, they were locked up. The lock-up expired on 8 April 2023 and the shares are now included within Level 1.

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 currently hold a sufficiently large position in any listed company that it could impact the quoted price via a sale of its investment.

As at 31 December 2023, the Investment Manager prepared the valuations and considered whether there were any changes to performance or the circumstances of the underlying investments which would affect the fair values. Methods, assumptions, and data were consistently applied year on year except for certain private equity investments where a change in assumption is deemed appropriate to reflect the change in the market conditions or investment-specific factors. The Investment Manager then made recommendations to the Board of the fair values as at 31 December 2023.

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 one Level 2 investment at 31 December 2023 (31 December 2022: two).

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. If it is assessed that a recent transaction is not at an arm's length or there are other indicators that it has not been executed at a price that is representative of fair value then the transaction value will not be used as the carrying value of the investment. 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.

### 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. 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 seven 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. Market Comparison*

In the case of Futura Resources Ltd which moved into production in early 2024, it was valued with reference to comparable listed coal producers both in terms of EBITDA multiple and Net Present Value duly discounted for its stage of development.

#### *vi. 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.

#### *vii. Convertible loans*

Convertible loans are valued taking into account the value of the conversion option based on a binomial model along with the associated credit risk of the instrument.

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

#### Quantitative information of significant unobservable inputs - Level 3

Description	2023 £	Valuation technique	Unobservable input	Range of unobservable input (weighted average)
Unlisted Equity	3,773,733	Transactions	Private transactions	n/a
Unlisted Equity	3,206,973	IndexVal	Change in index	+38%/-53%
Unlisted Equity	22,499,362	EBITDA Multiple	EBITDA Multiple	4x - 14x
Royalties	22,621,067	Royalty Valuation model	Commodity price and discount rate risk	10% - 70%
Unlisted Equity	-	Other	Exploration results, study results, financing	n/a
<b>Debt Instruments</b>				
Black Pearl Limited Partnership	343,388	Valued at mean estimated recovery	Estimated recovery range	+/-50%
Other Convertible Debentures/Loans	17,016,306	Valued at fair value with reference to credit risk	Rate of Credit Risk	20%-40%
<b>Warrants</b>	1,736	Simplified Black Scholes Model	Volatilities	50%
<b>Contingent Interest</b>	48,037	Discounted External valuation	Discount	+/-40%
Description	2022 £	Valuation technique	Unobservable input	Range of unobservable input (weighted average)
Unlisted Equity	28,797,176	Transactions	Private transactions	n/a
Unlisted Equity	3,499,979	IndexVal	Change in index	n/a
Unlisted Equity	9,201,855	EBITDA Multiple	EBITDA Multiple	n/a
Royalties	14,808,689	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	726,171	Valued at mean estimated recovery	Estimated recovery range	+/-50%
Other Convertible Debentures/Loans	10,637,949	Valued at fair value with reference to credit risk	Rate of Credit Risk	20%-40%
<b>Warrants</b>	242,771	Simplified Black Scholes Model	Volatilities	50%
<b>Warrants</b>	198,700	External valuation		

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.

### 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 2023 are as shown below:

Description	Input	Sensitivity used	Effect on Fair Value (£)
Unlisted Equity	Transactions & Expected Transactions	+/- 20%	+/-754,747
Unlisted Equity	Change in IndexVal	+38%/-53%*	+ 1,218,650 /-1,699,695
Unlisted Equity	EBITDA Multiple	+/- 20%	+/- 4,499,872
Royalties	Commodity Price	+/-20%	+/- 4,524,213

Royalties	Discount Rate	+/-20%	-2,708,225/+3,299,807
<b>Debt Instruments</b>			
Black Pearl Limited Partnership	Probability weighting	+/-50%	+/- 171,825
Others/Loans	Risk discount rate	+/-20%	-1,890,967 /+ 700,781
Convertibles /Loans	Volatility of Index Basket	+/-40%	+ 549,500 /-492,756
<b>Warrants</b>	Volatility of Index Basket	+/-40%	+ 1,326 /-79
	Risk of milestones being achieved	+/-20%	+795/-662
<b>Contingent Interest</b>	Risk discount rate	+/-20%	+/-19,215

*\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The +38%/-53% sensitivity was used as this was the range of movements of the constituents in the IndexVal baskets for Nussir*

### 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 2022 are as shown below:

Description	Input	Sensitivity used	Effect on Fair Value (£)
Unlisted Equity	Transactions & Expected Transactions	+/- 20%	+/-5,759,434
Unlisted Equity	Change in IndexVal	+44%/-79%*	+1,539,991/-2,764,984
Unlisted Equity	EBITDA Multiple	+/- 20%	+/-1,840,371
Royalties	Commodity Price	+/-20%	+/-2,956,853
Royalties	Discount Rate	+/-20%	-1,597,086/+1,939,463

#### Debt Instruments

Black Pearl Limited Partnership	Probability weighting	+/-33%	+/- 239,627
Others/Loans	Risk discount rate	+/-20%	-1,160,677/+227,963
Convertibles /Loans	Volatility of Index Basket	+/-40%	+206,177/-1,656
<b>Warrants</b>	Volatility of Index Basket	+/-40%	+21,662/-18,733

*\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The +44%/-79% sensitivity was used as this was the range of movements of the constituents in the IndexVal baskets for Nussir*

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.

### 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 or future cash flows 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 pages 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 2023, the largest non-Sterling portion of the Company's financial assets and liabilities was denominated in Australian 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 2023 and 31 December 2022.

#### **31 December 2023**

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	56,505,616	0.5351	30,234,045	36.80%
CAD	7,254,141	0.5930	4,302,065	5.24%
EUR	14,618,301	0.8670	12,673,336	15.42%
GBP	20,451,487	1.0000	20,446,487	24.89%
NOK	43,673,623	0.0772	3,370,685	4.10%
USD	14,173,268	0.7855	11,132,961	13.55%
			<b>82,159,579</b>	<b>100%</b>

#### **31 December 2022**

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	43,324,009	0.5640	24,436,834	28.93%
CAD	10,995,550	0.6133	6,743,260	7.98%
EUR	11,430,526	0.8868	10,136,120	12.00%
GBP	19,408,238	1.0000	19,408,238	22.97%
NOK	41,552,423	0.0842	3,499,979	4.14%
USD	24,410,380	0.8299	20,258,417	23.98%
			<b>84,482,848</b>	<b>100.00%</b>

## **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 2023 and 2022 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	2023 Reasonably possible move	2022 Reasonably possible move	2023 Value £	2022 Value £
AUD	13%	10%	3,930,426	2,443,683
CAD	7%	11%	301,145	741,759
EUR	4%	13%	506,933	1,317,696
NOK	12%	20%	404,482	699,996
USD	10%	16%	1,113,296	3,241,347
			<b>6,256,282</b>	<b>8,444,481</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 2023	Less than 6 months	More than 6 months	Non-interest bearing	Total
Assets	£	£	£	£
Cash and cash equivalents	277,694	-	-	277,694
Financial assets held at fair value through profit or loss*	3,187,203	14,172,493	64,510,320	81,870,016
Other receivables	-	-	30,355	30,355
Interest receivable*	190,249	-	-	190,249
<b>Total Assets</b>	<b>3,655,146</b>	<b>14,172,493</b>	<b>64,540,675</b>	<b>82,368,314</b>
Liabilities				
Other liabilities	-	-	208,735	208,735
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>208,735</b>	<b>208,735</b>
<b>Interest rate sensitivity gap</b>	<b>3,655,146</b>	<b>14,172,493</b>		

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

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

### a) Market Risk (continued)

#### iii. Interest rate risk (continued)

At 31 December 2022	Less than 6 months	More than 6 months	Non-interest bearing	Total
Assets	£	£	£	£
Cash and cash equivalents	254,140	-	-	254,140
Financial assets held at fair value through profit or loss*	524,813	10,839,306	72,947,836	84,311,955
Other receivables	-	-	17,899	17,899
Interest receivable*	57,917	-	-	57,917
<b>Total Assets</b>	<b>836,870</b>	<b>10,839,306</b>	<b>72,965,735</b>	<b>84,641,911</b>
Liabilities				
Other liabilities	-	-	159,063	159,063
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>159,063</b>	<b>159,063</b>
<b>Interest rate sensitivity gap</b>	<b>836,870</b>	<b>10,839,306</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.

At 31 December 2023	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
Assets	£	£	£	£	£	£
Cash and cash equivalents	277,694	-	-	-	-	277,694
Financial assets held at fair value through profit or loss	-	3,235,240	12,616,713	7,483,043	58,535,020	81,870,016
Receivables	2,700	16,540	201,364	-	-	220,604
<b>Total Assets</b>	<b>280,394</b>	<b>3,251,780</b>	<b>12,818,077</b>	<b>7,483,043</b>	<b>58,535,020</b>	<b>82,368,314</b>
Liabilities	£	£	£	£	£	£
Other payables and accrued expenses	36,250	127,485	45,000	-	-	208,735
<b>Total Liabilities</b>	<b>36,250</b>	<b>127,485</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>208,735</b>
<b>Net assets attributable to shareholders</b>						<b>82,159,579</b>

#### 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.

At 31 December 2022	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
Assets	£	£	£	£	£	£
Cash and cash equivalents	254,140	-	-	-	-	254,140
Financial assets held at fair value through profit or loss	-	524,813	10,088,045	491,092	73,208,005	84,311,955
Receivables	64,364	11,452	-	-	-	75,816
<b>Total Assets</b>	<b>318,504</b>	<b>536,265</b>	<b>10,088,045</b>	<b>491,092</b>	<b>73,208,005</b>	<b>84,641,911</b>
Liabilities	£	£	£	£	£	£
Other payables and accrued expenses	84,896	-	74,167	-	-	159,063
<b>Total Liabilities</b>	<b>84,896</b>	<b>-</b>	<b>74,167</b>	<b>-</b>	<b>-</b>	<b>159,063</b>

The value of the cash and level 1 listed equity positions held by the Company at the year-end was £12,448,625 (2022: £11,632,425) with the total liabilities at the year-end at £203,735 (2022: £159,063).

**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 £40,030,535 (2022: £26,614,280).

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

	2023	2022
	£	£
<b>Assets</b>		
Cash and cash equivalents	277,694	254,140
Interest receivable	190,249	57,917
Other receivables	30,355	17,899
Financial assets held at fair value through profit or loss	40,030,535	26,614,280
<b>Total assets</b>	<b>40,528,833</b>	<b>6,944,236</b>

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

**c) Credit risk (continued)**

As at 31 December 2023, the Company's non-equity financial assets exposed to credit risk were held with the following ratings:

Financial Assets	Counterparty	**Credit Rating	2023 % of net assets
-Loan Note	Tungsten West	NR*	1.28
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	0.42
-Convertible Loan Note	Futura Resources Limited	NR*	3.42
-Loan Note	CEMOS Group Plc	NR*	15.36
-Loan Note	PRISM Diversified Limited Loan Note 1	NR*	0.11
-Loan Note	PRISM Diversified Limited Loan Note 2	NR*	0.35
-Loan Note	Nussir ASA	NR*	0.20
Cash and cash equivalents	HSBC Bank plc	A+	0.34
<b>Total</b>			<b>21.48</b>

As at 31 December 2022, the Company's non-equity financial assets exposed to credit risk were held with the following ratings:

Financial Assets	Counterparty	**Credit Rating	2022 % of net assets
-Convertible Loan Note	Bilboes Gold Limited	NR*	0.03
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	0.86
-Convertible Loan Note	Futura Resources Limited	NR*	0.16
-Loan Note	CEMOS Group Plc	NR*	11.94
-Loan Note	PRISM Diversified Limited Loan Note 1	NR*	0.11
-Loan Note	PRISM Diversified Limited Loan Note 2	NR*	0.35
Cash and cash equivalents	HSBC Bank plc	A+	0.30
<b>Total</b>			<b>13.75</b>



\* No rating available

\*\* As per S&P

#### **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.

As at reporting date, two largest investments now comprise some 65% of the Company's net assets are CEMOS and Futura. The Board has reasonable expectation of some significant dividends and royalty payments in the coming years which will support both distributions to our shareholders as well as enabling the Company to diversify its portfolio when attractive opportunities arise.

#### **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 (2022: £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 previous Administrator, HSBC Securities Services (Guernsey) Limited ("HSBC"), was paid 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 reduced to 5 basis points of gross asset value above US\$250 million. HSBC was also reimbursed by the Company for reasonable out-of-pocket expenses. These fees were calculated and accrued as at the last business day of each month and paid monthly in arrears.

HSBC was 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 was also responsible for any sub-administration fees as agreed in writing from time to time, and reasonable out-of-pocket expenses. HSBC was also entitled to fees of €5,000 for preparation of the financial statements of the Company.

The Board appointed Aztec Financial Services (Guernsey) Limited ("Aztec Group") as the new Administrator of the Company on 1 December 2023 and Liberum Wealth Limited ("Liberum Wealth") to provide custody and depositary services on 1 November 2023.

Aztec Group is entitled to a fixed fee of £205,000 for the provision of accounting, administration and company secretarial services and Liberum Wealth is entitled to custody fees which are calculated on a daily basis on the last published or available price of assets held in custody and are charged quarterly in arrears. A minimum charge of £2,500 per quarter for each account applies. An introductory discounted custody fee of 0.065% applies during the first year of the account. Liberum Wealth is also entitled to depositary fees which are payable quarterly in advance and are subject to a time cap of 35 hours per quarter. Additional time spent is chargeable at their usual hourly rates. An introductory discount of 10% applies to their depositary fee during the first year.

The administration fees charged for the year ended 31 December 2023 were £108,190 (2022: £118,002) of which £37,083 (2022: £9,659) was payable at 31 December 2023. HSBC Securities Services (Ireland) DAC, the previous sub-Administrator, was paid a portion of these fees by HSBC.

#### **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 2023 was £795,890 (2022: £1,160,507) of which £57,735 (2022: £69,854) 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 2023, the Highwater Mark was the equivalent of approximately 94 pence per share with the relevant Hurdle being the equivalent of approximately 177 pence per share.

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

## 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

	2023	2022
	£	£
Research fees	41,844	35,356
Regulatory fees	20,405	31,286
Investor services fees	46,224	30,781
Public relation fees	26,190	11,520
Directors' insurance	27,314	6,000
Directors' expenses	1,813	3,344
Legal fees	13,639	76,789
Miscellaneous expenses	27,948	21,378
	<b>205,377</b>	<b>216,454</b>

## 9. 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 (2022: 106,453,335) Ordinary Shares outstanding with an additional 700,000 (2022: 700,000) held in treasury. The Company has 9,167 (2022: 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.

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. 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.

## 9. SHARE CAPITAL (CONTINUED)

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

	2023		2022	
	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	75,981,855	106,462,502	75,981,855	106,462,502

The outstanding Ordinary Shares as at the year ended 31 December 2023 are as follows:

	Ordinary Shares		Treasury Shares	
	Amount*	No. of shares*	Amount	No. of shares
	£		£	
Balance at 31 December 2023	76,122,347	106,462,502	140,492	700,000

The outstanding Ordinary Shares as at the year ended 31 December 2022 were as follows:

	Ordinary Shares		Treasury Shares	
	Amount*	No. of shares*	Amount	No. of shares
	£		£	
Balance at 31 December 2022	76,122,347	106,462,502	140,492	700,000

\* Includes 9,167 (2022: 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.

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.

## 9. SHARE CAPITAL (CONTINUED)

### Capital Management (continued)

As described in the Directors' Report on page 18, 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 £8,235,802 (2022: £8,771,186) and Capital Reserves of £(2,058,078) (2022: £(270,193)).

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.

## 10. RELATED PARTY AND INVESTMENT MANAGER TRANSACTIONS

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 9,167 Management Ordinary Shares at 31 December 2023 (31 December 2022: 9,167).

During 2023 Baker Steel Global Funds SICAV - Precious Metals Fund ("Precious Metals Fund") disposed of its entire interest in the Company at 31 December 2023 (2022: 4,922,877 Ordinary Shares). 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. As at 31 December 2023, Northcliffe Holdings Pty Limited holds 12,460,677 shares (2022: 12,452,177) and The Sonya Trust holds 12,637,350 shares (2022: 12,637,350).

John Falla holds 100,000 shares in the Company at 31 December 2023 (2022: 60,000).

The Company's associates are described in Note 12 to these financial statements.

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

	2023	2022
	£	£
Management fees	795,890	1,160,507
Directors' fees	145,000	129,489

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

2023	2022
------	------

	£	£
Management fees	57,735	69,854
Directors' fees	36,250	-

## 11. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per share is based on the net assets of £82,159,579 (31 December 2022: £84,482,848) and 106,462,502 (31 December 2022: 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:

	31 December 2023 Ordinary Shares	31 December 2022 Ordinary Shares
Net assets at the year-end (£)	82,159,579	84,482,848
Number of shares	106,462,502	106,462,502
Net asset value per share (in pence) basic and diluted	77.2	79.4
Weighted average number of shares	106,462,502	106,462,502

The basic and diluted loss per share for 2023 is based on the net loss for the year of the Company of £2,323,269 and on 106,462,502 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The basic and diluted loss per share for 2022 is based on the net loss for the year of the Company of £20,316,108 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.

## 12. 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 but less than 50%. 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.

Investment	Country of Incorporation	Voting Rights held	NED Appointed
CEMOS Group Limited	Jersey	24.59%	Yes
Nussir ASA	Norway	12.12%	Yes
Futura Resources	Australia	26.94%	Yes
Silver X Mining Corporation	Canada	11.73%	Yes
Polar Acquisition Limited	British Virgin Islands	49.99%	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.

## 13. SUBSEQUENT EVENTS

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.

## 14. APPROVAL OF ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The Annual Report and Audited Financial Statements for the year-ended 31 December 2023 were approved by the Board of Directors on 26 April 2024.

## 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 2023 the LLP as Investment Manager paid fixed remuneration to members and those identified as AIF code staff of £466,708. Variable remuneration amounted to £1,163,311. 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 2023. 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 £1,630,020.

The total AIFM remuneration attributable to senior management was £1,630,020. 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.

#### **MANAGEMENT AND ADMINISTRATION**

##### **DIRECTORS:**

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

##### **REGISTERED OFFICE:**

East Wing, Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey, GY1 3PP  
Channel Islands  
*(Appointed 1 December 2023)*

Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey, GY1 3NF  
Channel Islands  
*(Retired 30 November 2023)*

##### **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

##### **STOCKBROKERS:**

Deutsche Numis  
45 Gresham Street  
London, EC2V 7BF  
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

**ADMINISTRATOR & COMPANY SECRETARY:**

St. Peter Port  
Guernsey, GY1 4HP  
Channel Islands

Aztec Financial Services (Guernsey) Limited  
East Wing, Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey, GY1 3PP  
Channel Islands  
*(Appointed 1 December 2023)*

**MANAGEMENT AND ADMINISTRATION**

**ADMINISTRATOR & COMPANY SECRETARY  
(continued):**

HSBC Securities Services (Guernsey) Limited  
Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey, GY1 3NF  
Channel Islands  
*(Retired 30 November 2023)*

**SUB-ADMINISTRATOR TO THE COMPANY:**

HSBC Securities Services (Ireland) DAC  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland  
*(Retired 30 November 2023)*

**CUSTODIAN TO THE COMPANY:**

Liberum Wealth Limited  
1st Floor, Royal Chambers  
St Julian's Avenue  
St. Peter Port  
Guernsey, GY1 2HH  
Channel Islands  
*(Appointed 1 November 2023)*

HSBC Continental Europe  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland  
*(Retired 31 October 2023)*

**SAFEKEEPING AND MONITORING AGENT:**

Liberum Wealth Limited  
1st Floor, Royal Chambers  
St Julian's Avenue  
St. Peter Port  
Guernsey, GY1 2HH  
Channel Islands  
*(Appointed 1 November 2023)*

HSBC Continental Europe  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland  
*(Retired 31 October 2023)*

**INDEPENDENT AUDITOR:**

BDO Limited  
P O Box 180  
Place du Pre  
Rue du Pre  
St. Peter Port  
Guernsey, GY1 3LL  
Channel Islands

**MANAGEMENT AND ADMINISTRATION**

**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  
JE11ES  
Jersey

**RECEIVING AGENT:**

Computershare Investor Services (Jersey) Limited  
Queensway House  
Hilgrove Street  
St Helier  
JE11ES  
Jersey

**PRINCIPAL BANKER:**

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

**GLOSSARY OF TERMS**

**AIF** - Alternative Investment Fund

**AIFM** - Alternative Investment Fund Manager

**AIFMD** - Alternative Investment Fund Managers Directive

**Aztec Financial Services (Guernsey) Limited** - (the "Aztec Group")

**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

**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

**HSBC Securities Services (Guernsey) Limited** - HSBC



**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)

**Liberum Wealth Limited** - Liberum Wealth

**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'.

**GLOSSARY OF TERMS (CONTINUED)**

**Mt** - million tonnes

**NAV** - Net Asset Value

**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 July 2022

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

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