

BAKER STEEL RESOURCES TRUST LIMITED

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

Proposed amendment of the Company's investment policy

Notice of Extraordinary General Meeting

LEI: 213800JUXEVF1QLKCC27

Introduction

The Board today announced that, following consultation with a number of the largest Shareholders, it is seeking approval from Shareholders for amendments to the Company's investment policy (the **Proposal**). The amendments, if approved, will (i) enable the Company to increase its existing investment in Futura Resources Limited (**Futura**) so that such investment may represent up to 35 per cent. of the value of the Company's gross assets at the time of the relevant transaction; and (ii) remove an earlier amendment to the Company's investment policy relating to the Polar Silver Group which has become unnecessary given that the only remaining part of that investment is a net smelter royalty held through Polar Acquisition Limited which now represents less than 5 per cent. of the Company's portfolio.

The purpose of the proposed increase in the Company's maximum exposure to Futura is to allow the Company to provide short term support to Futura, in which it is the largest shareholder, so as to provide it with the best opportunity to close its major financing efforts, as described below. It will also give the Company additional flexibility to protect its interests should Futura's financing efforts take longer than expected. A similar amendment was made to the Company's investment policy in 2016 in respect of the Company's investment in the Polar Silver Group which allowed the facilitation of certain transactions, leading to a successful divestment of most of the Company's interest in the Polar Silver Group and benefiting Shareholders.

As the Proposal involves a material amendment to the Company's existing investment policy, the approval of the holders of Ordinary Shares is required in accordance with the Listing Rules. The Proposal is therefore conditional on the passing of the Resolution, which will be proposed at the Extraordinary General Meeting of the Company as an ordinary resolution.

Background to and reasons for the Proposal

Following consultation with a number of the Company's largest Shareholders, the Board is seeking approval from the holders of Ordinary Shares to amend the Company's investment policy in order to:

- enable the Company to increase its existing investment in Futura so that such investment may represent up to 35 per cent. of the value of the Company's gross assets at the time of the relevant transaction; and
- remove an earlier amendment to the Company's investment policy which allowed up to 35 per cent. of the Company's gross assets to be invested in the Polar Silver Group and which is no longer considered necessary following the disposal of the majority of the Company's investment in the Polar Silver Group.

As at 30 September 2022, the Company had net assets of £85.6 million and a market capitalisation of approximately £57.0 million. The Company is fully invested with the top 10 investments representing approximately 93.9 per cent. of the Portfolio by value:

	Asset	Sector	Location	% of Net Asset Value
1	Futura Resources Limited	Coking Coal	Australia	27.7
2	Cemos Group plc	Cement	Morocco	20.7
3	Bilboes Gold Limited	Gold	Zimbabwe	14.7
4	Tungsten West Plc	Tungsten	England	7.9
5	Kanga Investments Ltd	Potash	Republic of Congo	6.0
6	Polar Acquisition Limited	Silver	Russia	4.8
7	First Tin plc	Tin	Germany and Australia	3.8
8	Nussir ASA	Copper	Norway	3.5
9	Silver X Mining Corporation	Silver	Peru	3.3
10	Prism Diversified	Iron and vanadium	Canada	1.5
	Listed Precious Metal Shares			2.5
	Other Investments			3.6
	Net Cash, Equivalents and Accruals			0.0

Futura

The Company's largest investment is Futura which is a private limited company incorporated and based in Australia that owns the Wilton and Fairhill coking coal projects in Queensland, Australia. The Company currently owns 26.9 per cent. of the ordinary equity in Futura and also has a 1.5 per cent. gross revenue royalty over future production from the two projects (the **Projects**).

The Investment Manager has advised the Board that Futura is seeking finance to start production from both of the Projects and that Futura's management estimate that a total of A\$48.4 million is required to bring both the Projects into production. When ramped up to full production these are expected to provide approximately 2 million tonnes of annual saleable product at a low operating cost, with at least a 20 year mine life.

Assuming financing can be achieved around the end of this year, allowing operations to commence in the first half of 2023, Futura's management forecasts are for 0.4 million tonnes of coal to be produced in 2023 and 1.3 million tonnes of coal to be produced in 2024. Futura has confirmed to the Investment Manager that final applications for mining licenses have been submitted to the relevant authorities and that it is anticipated that such licenses will be granted by the end of 2022, a key condition for the drawdown of financing.

The Board, as advised by the Investment Manager, believes that the current positive coal price environment with the coking coal benchmark price trading around US\$290/t FOB Australia is supportive of Futura's financing efforts. However it understands that closing the necessary project financing has taken longer than anticipated due to various factors, not least the unexpected imposition

of an increased royalty on coal mining by the Queensland government in July 2022 which adversely impacted investor sentiment.

These factors have resulted in a drawdown of Futura's working capital reserves and as a result Futura is seeking to raise some modest interim funding from its shareholders to cover its working capital requirements pending the expected major financing. Such bridge funding, anticipated to be up to a maximum of A\$500,000 (approximately £289,000) (the **Funding**), is largely required for payments for an independent valuation and ESG report required for the project financing, as well as some insurance premiums to maintain Futura's insurance policies.

In order to allow the Company (as the largest shareholder) to support Futura in the short term and to provide it with the best opportunity to close its major financing efforts, it is proposed that the Company would provide some or all of the Funding to Futura as a term loan. The provision of the Funding is critical to the Projects reaching production. Failing to secure such financing could put the project financing at risk and have a significant negative impact on the carrying value of Futura which will negatively impact the Company's shareholders.

As at 30 September 2022, the Company's total investment in Futura was valued at A\$41.1 million (£23.7 million) which represented 27.7 per cent of the Company's net assets. A total of A\$19.8 million (approximately £11.4 million) has been invested by the Company in Futura since its initial investment in December 2017.

The total Funding would represent 0.34 per cent. of the Company's net asset value (by reference to 30 September 2022 NAV) and bring the Company's total carrying value in Futura to A\$41.6 million (approximately £24 million).

The Company's current investment policy limits the amount which the Company may invest in or lend to any one particular company or group of companies, to no more than 20 per cent., in aggregate, of its gross assets as at the date of the relevant transaction. The Company's holding in Futura is currently above this limit due to the positive re-valuation of the assets in light of project advancement and de-risking, as well as higher consensus future coking coal prices and relative performance to the other holdings in the Company's portfolio. Accordingly, any further investment or loan to Futura (including the Funding) would be prohibited by the Company's current investment policy.

In order to enable the Company to provide the Funding to Futura, it is proposed that the Company's current investment policy be amended to allow for the Company to increase its investment in Futura to an amount not exceeding 35 per cent. of the value of its gross assets as at the date of the relevant transaction. This proposed amendment to the investment policy would enable the Company to support the current bridge financing if required, as well provide the Company with increased flexibility to protect its existing investment in Futura, whilst remaining mindful of maintaining the principle of risk mitigation through portfolio diversification.

Polar Silver Group

On 4 January 2016 the Company received approval from the holders of Ordinary Shares to amend the Company's investment policy in order to enable the Company to increase its existing investment in the Polar Silver Group so that such investment could represent up to 35 per cent. of the value of the Company's gross assets at the time of the relevant transaction.

Following disposal of the majority of the Company's investment in the Polar Silver Group, the only remaining part of that investment is a net smelter royalty held through Polar Acquisition Limited which, now represents less than 5 per cent. of the Company's gross assets and accordingly this higher investment limit is no longer considered necessary.

If the Resolution is passed, the Company's investment in the Polar Silver Group will become subject to the restriction that no more than 20 per cent., in aggregate, of the Company's gross assets as at the date of the relevant transaction may be invested in or lent to any one particular company or group of companies rather than the 35 per cent. limit which currently applies to the Polar Silver Group.

The full text of the Company's current investment policy and the proposed amendments are set out at the end of this announcement.

Risks associated with proposed changes in investment policy

The proposed change to the Company's investment policy in relation to Futura, in addition to the increase in quantum of the specific risks associated with investment in a single issuer, would increase the Company's exposure to Australian Dollars (being the currency in which the Company's investment in Futura is denominated) and therefore Shareholders would potentially have greater exposure to the AUD/GBP exchange rate. The Company's exposure to coal and its exposure to Australian assets would also increase.

Extraordinary General Meeting

The Extraordinary General Meeting has been convened for 2 p.m. on 9 November 2022.

The Resolution will be proposed as an ordinary resolution of the Company, requiring the approval of a simple majority of the votes recorded and will, if passed, amend the investment policy of the Company so as to (i) allow the Company to increase its investment in Futura provided this investment shall not exceed 35 per cent. in aggregate of the value of the Company's gross assets as at the date of the relevant transaction; and (ii) remove the ability of the Company to invest up to 35. per cent. in aggregate of the value of the Company's gross assets in the Polar Silver Group.

All Shareholders are entitled to attend the EGM but only holders of Ordinary Shares are entitled to vote on the Resolution. In accordance with the Articles, each Ordinary Shareholder present in person otherwise than by proxy shall, upon a show of hands have one vote, and on a poll such Ordinary Shareholder present (including by proxy) shall have one vote in respect of every Ordinary Share held. In order to ensure that a quorum is present at the Extraordinary General Meeting it is necessary for one Ordinary Shareholder entitled to vote on the Resolution to be present, whether in person or by proxy (or, if a corporation, by a representative).

Recommendation

The Board considers that the Proposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolution to be proposed at the EGM, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, which, in aggregate, amount to 35,000 Ordinary Shares, representing approximately 0.03 per cent of the existing issued share capital of the Company as at the date of this document.

Enquiries:

Baker Steel Resources Trust Limited

Francis Johnstone
Trevor Steel

+44 20 7389 8237

Numis

David Benda
Nathan Brown

+44 20 7260 1000

HSBC Securities Services (Guernsey) Limited

Company Secretary

+ 44 (0)1481 707 000

Defined terms used in this announcement shall (unless the context otherwise requires) have the same meanings as are set out in the circular published by Baker Steel Resources Trust Limited dated 20 October 2022

A copy of the circular has been submitted to the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>"

APPENDIX – INVESTMENT POLICY

If the Resolution is passed at the EGM, the full text of the Company's amended investment policy will be as set out in the box below. The only section that will be amended if the Resolution is passed relates to the increase in the proportion of portfolio assets that can be invested in Futura (these amendments are included in bold text below) and the removal of the limitation relating to the Polar Silver Group (this wording has been struck through).

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, or related instruments, of natural resources companies. The Company invests in unlisted companies (i.e. those companies that have not yet made an initial public offering or IPO) and in listed securities (including special situations opportunities and less liquid securities) with a view to making attractive investment returns through the uplift from 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 have strong fundamentals and attractive growth prospects.

Natural resources companies, for the purposes of the investment policy, are those involved in the exploration for and production of base metals, precious metals, bulk commodities, thermal and metallurgical coals, industrial minerals, energy and uranium and include single-asset as well as diversified natural resources companies.

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

The Company focuses primarily on making investments in companies with producing assets 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. The Company may also invest from time to time in exploration companies whose activities are speculative by nature.

The Company has the 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.

Limits

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;
- typically in between 10 to 20 core positions to provide adequate diversification whilst retaining a focused core approach. Core positions will typically be between 5 per cent and 15 per cent. of the NAV as at the date of acquisition.

The actual percentage of the Company's gross assets invested in listed and unlisted equities and equity-related securities and cash and cash-like holdings and the number of positions held may fall outside these ranges from time to time. For example, 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 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 and/or any company within its group (the Futura Resources Group) 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 the Futura Resources Group as at the date of the relevant transaction.**
- ~~**The Company's investment in Polar Silver Resources Limited and/or any company within its group (the Polar Silver Group) 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 the Polar Silver Group 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 as between it and the investee companies.

Gearing

When deemed appropriate, the Company may borrow up to 10 per cent. of NAV for temporary purposes such as settlement mismatches. Borrowings will not however be incurred for the purpose of any Share repurchases.

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