

**bakersteel**  
**resource**trust****

**BAKER STEEL RESOURCES TRUST LIMITED**

# Annual Report and Audited Financial Statements

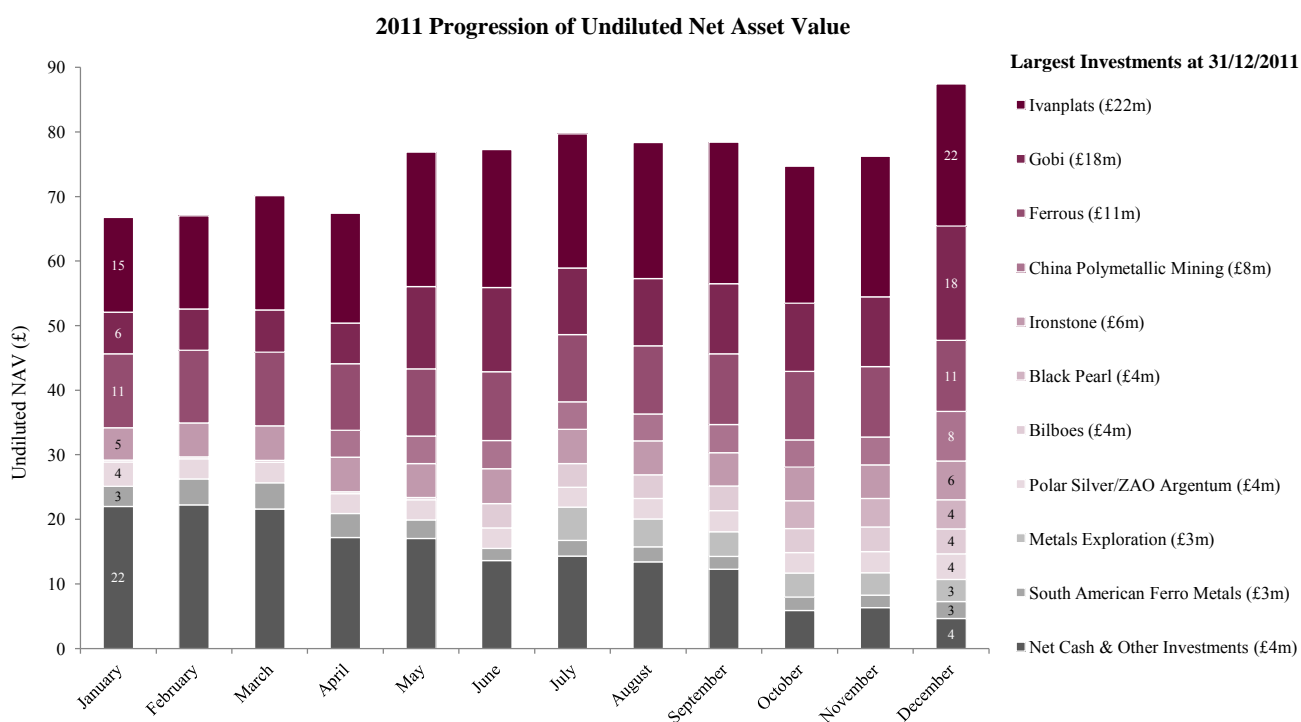
For the year ending 31 December 2011

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# MISSION STATEMENT

To seek growth over the long term through a focused global portfolio of natural resources companies, investing predominantly in attractively valued private companies with strong development projects and focused management.



Source: Baker Steel internal

**INVESTMENT OBJECTIVES AND POLICIES**

**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 will invest predominantly in unlisted companies (i.e. those companies that have not yet made an initial public offering or "IPO") but 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.

**Investment policy**

The core of Baker Steel Resources Trust Limited's (the "Company") 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 extraction 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 will primarily focus 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. 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.

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

**INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Investment policy (continued)**

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

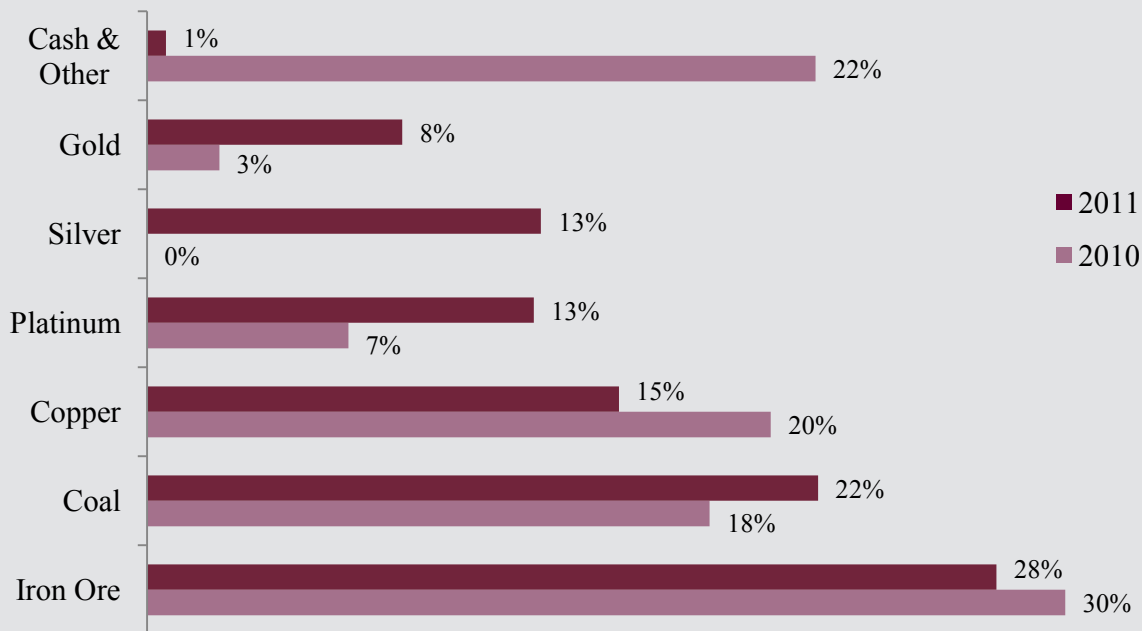
For so long as required by the Listing Rules, the Company will avoid (a) cross-financing between the businesses forming part of its investment portfolio and (b) the operation of common treasury functions as between it and the investee companies.

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

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

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.

**Commodity Exposure**



*Source: Baker Steel internal. Data at 31 December.*

**CHAIRMAN'S STATEMENT**

**For the year ended 31 December 2011**

I am pleased to present the Company's second annual report. 2011 was the first full year of operation for the Company following its admission to listing on 28 April 2010. Performance for the year was good with the undiluted NAV per share increasing 27.0% compared to a broader market represented by the HSBC Global Mining Index which fell by 28.4%.

The first part of the year continued the theme of 2010 with the focus on making suitable investments with sufficient potential at the right price. The weak markets for IPOs assisted this process because, without that outlet for raising capital to continue development, private companies were compelled to raise funds in the private market. As a result the Company was fully invested by the end of June 2011, a little over a year after listing.

In line with the Company's investment objective, the strategy has been to create a highly focused portfolio of strong conviction investments. At the year end, the Company was invested in 17 companies of which the top 10 holdings comprised 94.9% of Net Asset Value. The portfolio covers the commodities of iron ore, coal, copper, platinum group metals, nickel, silver and gold in such diverse locations as Mongolia, Brazil, Democratic Republic of Congo, South Africa, China, Canada, Russia, Zimbabwe and the Philippines.

The weakness in public markets, particularly in the second half of the year, meant that a number of our investee companies that had been planning to list were unable to do so. However the strengths of their projects were underlined by their ability to attract funding largely at substantial premiums to BSRT's acquisition levels. Ivanplats raised US\$280 million for an 8% interest in its Platreef Project in South Africa from Japanese trading company ITOCHU indicating an implied value for that project of US\$3.5 billion and Gobi Coal raised US\$91 million at a 225% premium to the Company's carrying value at the beginning of the year.

During the year, the Company made its first significant realisation of an investment following the acquisition of First Coal by Xstrata Coal Canada Limited in August 2011, generating an after tax return of 129% on the Company's C\$5.2 million investment. This disposal demonstrates the Company's strategy of investing in projects of sufficient scale to attract major industry buyers as an alternative to monetisation via the IPO market. During December 2011, one of the Company's investments, China Polymetallic Mining Limited, listed on the Hong Kong Stock Exchange despite very difficult market conditions, achieving an unrealised return of 76% based on the closing listed price on 30 December 2011.

The weakness in IPO markets in 2011, which led to the deferral of a number of IPOs, means that 2012 could prove to be an eventful year for the Company should the IPO market open up again. I am therefore looking forward to the rest of the year with much anticipation and would like to thank all our shareholders for their continuing support for the Company.

Howard Myles  
Chairman  
25 April 2012

**INVESTMENT MANAGER'S REPORT****For the year ended 31 December 2011****Financial Performance**

The audited undiluted net asset value per ordinary share as at 31 December 2011 was 131.3 pence an increase of 27.0% in the year and of 34.1% from the Company's first net asset value ("NAV") calculated on 30 April 2010. During the year the HSBC Global Mining Index was down 28.4% (down 12.2% since 30 April 2010).

On 6 January 2012, the Company announced the unaudited NAV for 30 December 2011 of 130.3 pence per share. During December 2011 and early January 2012, Ironstone Resources Limited undertook a placing of stock equivalent to around 2.7% of the shares in issue of Ironstone. At the time the year end NAV was being finalised, the Company was not aware of the conclusion of this placing so it was not taken into account in determining the unaudited year end NAV. It has subsequently become apparent that this placing reflected a change in fair value at 31 December 2011. This increase in carrying value has been included in these financial statements and has also led to adjustments in both the 31 January 2012 unaudited NAV and 29 February 2012 unaudited NAV statements. Accordingly the audited NAV at the year end has been restated to 131.3p per share.

For the purpose of calculating the net asset value per share, unquoted investments are carried at fair value as at 31 December 2011 as determined by the Directors and quoted investments are carried at closing price as at 30 December 2011.

Net assets at 31 December 2011 comprised the following:

	£m	% net assets
Unquoted Investments	79.4	91.5
Quoted Investments	8.1	9.4
Net Cash, Equivalents and Accruals	(0.8)	(0.9)
	-----	-----
	86.7	100.0

**Investment Update****Largest 10 Investments**

Ivanplats Limited*	25.4%
Gobi Coal & Energy Limited*	20.4%
Ferrous Resources Limited	12.7%
China Polymetallic Mining Limited	8.8%
Ironstone Resources Limited	6.9%
Black Pearl Limited Partnership	5.2%
Bilboes Holdings (Pvt) Limited	4.5%
Polar Silver Resources Ltd/Argentum	4.1%
Metals Exploration plc	3.9%
South American Ferro Metals Limited	3.1%
Other Investments	5.9%
Net Cash, Equivalents and Accruals	(0.9%)

\* represented less than 20% in aggregate of the value of gross assets as at the date of the last relevant acquisition

During the first part of 2011 the emphasis continued to be on identifying and completing on investments with the requisite potential. By July 2011, the Company was fully invested and continued to be fully invested at 31 December 2011 with the proceeds of disposals being reinvested in other opportunities.

In August 2011, the Company made its first full realisation of a core investment following the takeover of First Coal Corporation by Xstrata Coal in an all cash offer. After taking into account Canadian tax payable, the Company made a gain of C\$6.75 million on its investment representing a return of 129%.

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

**For the year ended 31 December 2011**

**Investment Update (continued)**

During the year, a number of new positions were added to the Company's portfolio. The commodity diversification of the portfolio was increased with the addition of four precious metals investments. Silver exposure was added with the investment in Polar Silver Resources Ltd which has a 50% interest in the Prognoz silver deposit in Russia and with the investment in China Polymetallic Mining Limited, which commenced production from its Shizishan silver/lead/zinc mine during the year. Gold exposure was added to the portfolio with investments in AIM quoted Metals Exploration plc, which owns the Runruno gold development project in the Philippines, and in Bilboes Holdings (Pvt) Ltd, a management buyout of Anglo American's gold projects in Zimbabwe. In addition, iron ore exposure was increased through a structured investment in the Black Pearl beach placer iron sands project in Indonesia. Details of each of these investments and the Company's other significant holdings are provided later in this report.

Good progress has been made at Ivanplats, the Company's largest position. A Canadian National Instrument 43-101 ("NI 43-101")-compliant resource report was received from independent consultants AMEC in February 2012 on Ivanplats' Kamoa copper project in the Democratic Republic of Congo ("DRC") with contained copper in the resource increased by 70% over that reported a year before. On 3 June 2011, ITOCHU Corporation of Japan acquired an 8% interest in Ivanplats' second major project, the Platreef Project in South Africa for 22.4 billion Japanese Yen, valuing the Platreef Project at approximately US\$3.5 billion. A significant portion of this cash was rapidly deployed by Ivanplats with over 260,000 metres of drilling having been undertaken on the project during the year. A third major project was added to Ivanplats late in the year with the acquisition of a 68% interest in the Kipushi zinc/polymetallic mine in the DRC.

In May 2011 Ivanplats shareholders approved a reorganisation of Ivanplats in anticipation of an IPO on a major international stock exchange. Market conditions in the second half of 2011 were not conducive to a listing of this scale but given positive progress at its projects, a listing in 2012 is more likely assuming general markets allow.

Following completion of a feasibility study on the first of its projects, the Shinejinst coking coal project in Mongolia, Gobi Coal & Energy Limited successfully raised US\$91 million from two sovereign wealth funds at US\$6.50 per share compared to the Company's carrying value at the beginning of the year of US\$2.00 per share. This funding is expected to be sufficient to develop the first phase of the mine and build a haul road to the Chinese border. First production is scheduled for the third quarter 2012 following which it is understood an IPO will be considered.

Despite the prevailing adverse market conditions for IPOs in the latter half of 2011, one of the Company's core investments, China Polymetallic Mining Limited, did manage to list on the Hong Kong Stock Exchange in December 2011. As a result, at year end the Company's carrying value was showing a 76% uplift on its acquisition price in April 2011.

Other notable progress was made at South American Ferro Metals Limited ("SAFM") which commenced production at its Ponto Verde iron ore project in Minas Gerais in Brazil in December 2010 and reached its target of 125,000 run of mine ("ROM") tonnes per month in September 2011, equivalent to 1.5 million ROM tonnes per annum. During the year SAFM also achieved all the milestones set for the conversion of the three different performance share classes which were held by the Company and accordingly they were all converted to ordinary shares prior to year end.

**Description of Largest Investments**

**Ivanplats Limited ("Ivanplats")**

Ivanplats is a private company which owns the Kamoa copper project and Kipushi zinc mine both in the DRC and the Turfspruit nickel, platinum, palladium, copper and gold project in South Africa.

Ivanplats holds exploration licences covering 9000km<sup>2</sup> of the Congolese Copperbelt. Primary amongst these is the Kamoa copper project, situated less than 20km from Kolwezi, the DRC's copper mining hub. Over 450 bore holes totalling 120,000 metres have been drilled. A revised but unpublished NI 43-101 compliant report was completed on Kamoa in February 2012 by independent technical consultants AMEC.

Ivanplats acquired a 68% interest in the Kipushi zinc/polymetallic mine in the DRC in late 2011. From 1925-1993, Kipushi produced 60Mt of ore at 11% zinc and 6% copper together with 120 tonnes of germanium, an element used as a semiconductor in fibre-optic systems. A feasibility study is planned in order to investigate the re-opening of the mine.

The Turfspruit, platinum, palladium, nickel, copper and gold project is situated on the northern limb of the Bushveld Igneous Complex in South Africa. Drilling during 2010 intersected high-grade mineralisation over substantial widths and demonstrated a flattening of the Platreef mineralisation at depth. Over 500,000 metres of drilling has been undertaken leading to a revised but unpublished NI 43-101 compliant resource and technical report by independent consultants, AMEC, in December 2011.



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

**For the year ended 31 December 2011**

**Description of Largest Investments (continued)**

**Gobi Coal & Energy Limited ("Gobi")**

Gobi is an emerging coking coal producer based in Mongolia. Gobi Coal owns 100% of three open-cut coal development projects in south western Mongolia. Gobi's projects contain approximately 322 million tonnes of Joint Ore Resource Committee ("JORC") resources and include more than 500,000 hectares of tenements.

Gobi's first project, Shinejinst, contains approximately 95 million tonnes of JORC reserves and 229 million tonnes of JORC resources and the mine is expected to begin production in Q2 2012. At full production, Shinejinst is expected to produce approximately 5 million tonnes per annum of high quality, semi-soft coking coal product.

**Ferrous Resources Limited ("Ferrous")**

Ferrous is a private company with five iron-ore projects in the iron quadrilateral region in Minas Gerais state and one in Bahia state in Brazil. It has JORC resources of 5.1 billion tonnes of iron ore.

Production of iron ore totalled 2 million tonnes in 2011 with an output planned to reach 4 million tonnes in 2013 and Ferrous is targeting a rate of 24 million tonnes per annum from 2016. Ferrous is developing its own infrastructure system which is expected to encompass a port terminal in Presidente Kennedy, Espirito Santo state and a 400km slurry pipeline connecting the port terminal to Ferrous' Viga Mine.

**China Polymetallic Mining Limited ("CPM")**

CPM is an emerging Chinese mining company listed on the Hong Kong Stock Exchange. BSRT's investment is via a special purpose vehicle, Five Stars B.S. Limited Partnership, and the investment is subject to a lock-up until December 2012. CPM has a number of development projects in Yunan Province, China. The first of these, the Shizishan lead/zinc/silver mine, commenced production in 2011 and is currently ramping up towards full production. The second project, the Lushan tungsten/tin mine, is planned to start production in the second half of 2012.

The Shizishan Mine has JORC compliant resources totalling 9.3 million tonnes grading 255.5g/t silver, 9.40% lead and 6.02% zinc for contained metal of 77 million ounces silver, 878,500 tonnes lead and 563,000 tonnes zinc. The mine is expected to produce 5 million ounces of silver, 57,000 tonnes lead and 35,000 tonnes zinc per annum when the mine is in full production, scheduled for 2013.

**Ironstone Resources Limited ("Ironstone")**

Ironstone is a private Canadian company which owns the Clear Hills Iron Ore/Vanadium Project ("Clear Hills") in Alberta, Canada. Clear Hills currently has an indicated resource of 556.5Mt at 33.3% iron and 0.2% vanadium and an inferred resource of 86.9Mt at 34.1% iron.

Ironstone is currently undertaking extensive pilot plant work in conjunction with pyrotechnology experts HATCH of Toronto, utilising a 11,000 tonne bulk sample extracted during 2011, in order to demonstrate the metallurgical process to refine the ore into direct reduced iron.

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

Black Pearl is a special purpose vehicle formed to invest in the Black Pearl beach placer iron sands project in West Java, Indonesia. The Black Pearl concession area is 15,000 ha of which 1,600 ha has been drilled. JORC compliant mineral resources stand at 572 million tonnes grading 11% iron and a drilling programme is currently underway. Once complete, resources are expected to sustain operations for at least 15 years.

Mine construction is underway and initial production is due to commence during the third quarter of 2012. At full capacity, the mine is expected to produce 10 million tonnes per annum of iron ore concentrate grading 58-60% iron. Commissioning is scheduled for the first half of 2012 prior to an expected listing at the end of 2012. Off-take agreements are being negotiated with a number of Chinese steel mills.

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

**For the year ended 31 December 2011**

**Description of Largest Investments (continued)**

**Bilboes Holdings (pvt) Limited ("Bilboes")**

Bilboes is a private Zimbabwean gold mining company which owns four previously producing oxide mines in Zimbabwe containing JORC compliant resources totalling 778,000 ounces of gold. There is a good opportunity to expand the current resource base significantly, through drilling of the underlying sulphide mineralisation. A drill campaign commenced in August 2011 and is due to be completed in May 2012 with the aim of estimating a revised resource mid-2012.

**Polar Silver Resources Limited/ZAO Argentum ("Polar Silver")**

Polar Silver is a private company whose wholly owned Russian subsidiary, ZAO Argentum holds a 50% indirect interest in the Prognoz silver project, 444km north of Yakutsk in Russia ("Prognoz"). A NI 43-101 compliant report by independent consultant Micon International Limited ("Micon") in July 2009, estimated an indicated resource of 5.86 million tonnes of ore grading 773 g/t silver containing 146 million ounces silver and inferred resources of 9.64 million tonnes of ore grading 473 g/t silver containing 147 million ounces silver at Prognoz. A NI 43-101 compliant preliminary economic assessment was completed by Micon in February 2012. This indicates potential for a mine producing an average of 13 million ounces of silver per annum over a 16 year mine life.

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

Metals Exploration is an AIM quoted company which owns the Runruno gold project in the Philippines.

A feasibility study has been completed into a mine producing approximately 100,000 ounces of gold per annum at Runruno and Metals Exploration is now well positioned to finalise the financing of the mine and commence development.

**South American Ferro Metals Limited ("SAFM")**

SAFM is an Australian Stock Exchange listed company whose main asset is the Ponto Verde iron ore project in Minas Gerais in Brazil. The property contains a JORC compliant mineral resource estimated at 230.6 million tonnes ore grading 44.52% iron.

In September 2011, production reached its target of 125,000 run of mine ("ROM") tonnes per month, equivalent to 1.5 million ROM tonnes per annum. SAFM is now considering the feasibility of increasing the mining rate to 8 million tonnes of ore per annum.

**Copperbelt Minerals Limited ("Copperbelt")**

Copperbelt is a private company with a copper/cobalt project in the DRC. Copperbelt has a 68% interest in the Deziwa Copper Project, one of the largest copper oxide deposits in the DRC. Gecamines, a state owned mining and exploration enterprise that holds most of DRC's state mining activities, holds the remaining 32%. Copperbelt completed a positive Definitive Feasibility Study on the project in January 2009, indicating potential for a mine producing 80,000 tonnes of copper per annum.

**Forbes and Manhattan Coal Corporation ("Forbes Coal")**

Forbes Coal is a coal producer listed on both the Toronto Stock Exchange and the Johannesburg Stock Exchange, with two mines in the Kwa-Zulu Province of South Africa. The Magdalena Mine has a NI 43-101 compliant resource of 51.7 million tonnes of bituminous coal and produced 1 million tonnes of coal in the year to 29 February 2012. The Avimore Mine has a NI 43-101 compliant resource of 51.7 million tonnes of anthracite coal and produced 281,000 tonnes of coal in the year to 29 February 2012.

**Market Outlook**

Continued strong growth in China and other developing markets is likely to support most commodity prices during 2012. Fears of a major slowdown of growth in China seem to be misplaced with the economy having grown by an annual equivalent of 8.1% during the first quarter 2012. It is expected that Chinese interest rates will ease in 2012, which should further support growth and demand for commodities.

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

**For the year ended 31 December 2011**

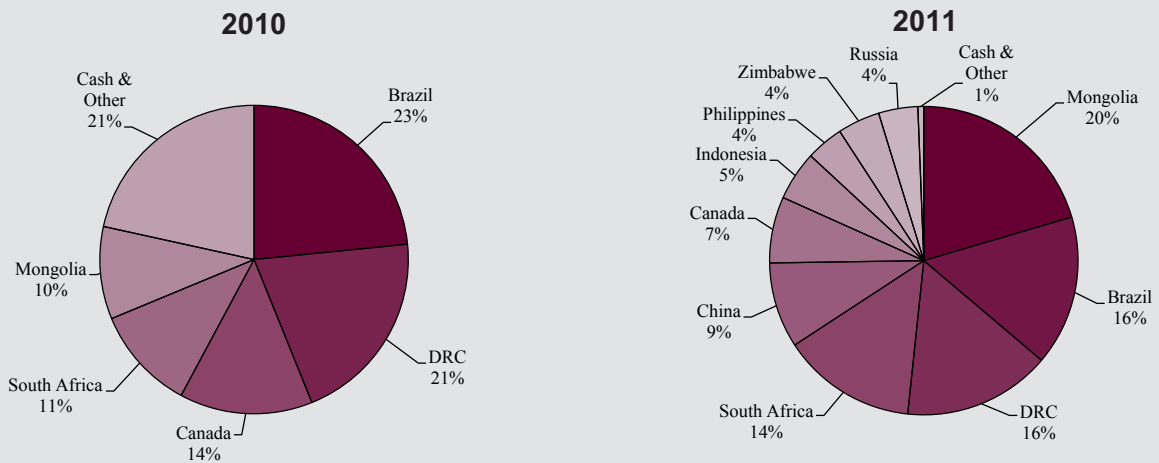
**Market Outlook (continued)**

Robust global industrial production and growing export demand are likely to be accompanied by increasingly constrained supplies for iron ore and thermal coal in 2012 whilst supply deficits for copper and metallurgical coal may ease. The Company has exposure to iron ore through Ferrous Resources, South American Ferro Metals, Ironstone Resources and Black Pearl and only limited exposure to thermal coal. Gobi Coal may be insulated from this easing given that the market in Gansu is isolated from seaborne markets. The fortunes of zinc and lead appear to be improving with high demand growth expected from China by 2015/16, which augurs well for the Company's investment in China Polymetallic Mining. Investor interest in gold and silver continues to be supported by prevailing macro economic downside risks and negative real interest rates in the US and Europe, which should provide support for Polar Silver, Bilboes and Metals Exploration.

The weak performance of equity markets, including mining shares, in the latter half of 2011 compared to robust outlooks for most commodity prices, together with strong cash balances for producers is likely to result in increasing mergers and acquisitions activity in the sector. This in turn could result in increased IPO activity as investors seek to recycle the proceeds of takeovers.

The opening up of the IPO market has the potential to have a significant effect on the net asset value of BSRT with several of the Company's top holdings at the appropriate stage of their development to have the capability of listing in 2012.

**Geographical Exposure**



*Source: Baker Steel internal. Data at 31 December*

**DIRECTORS' REPORT**

**For the year ended 31 December 2011**

The Directors of the Company present their second annual report and the audited financial statements for the year ended 31 December 2011.

**Principal activity and business review**

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, 1987, as amended ("POI Law") and the Registered Collective Investment Scheme Rules 2008 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 shares were admitted to the Premium listing segment of the Official List on 28 April 2010.

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 will invest predominantly in unlisted companies (i.e. those companies that have not yet made an initial public offering or "IPO") but 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.

The Company's investment policy is detailed on pages 2 and 3.

**Portfolio analysis**

A detailed analysis of the Portfolio has been provided on pages 17 and 18.

The Investment Manager's report on pages 5 to 9 includes a review of the main developments during the year together with information on investment activity within the Company's Portfolio and on the market outlook.

**Performance**

In the year to 31 December 2011, the Company's undiluted NAV per Ordinary share increased by 27.0% (2010: 5.6%). This compares with a fall in the HSBC Global Mining Index (capital return in sterling terms) of 28.4% (2010: rise of 25.1%).

**Results and dividends**

The results for the year are shown in the Statement of Comprehensive Income on page 21 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 20.

**Dividend policy**

It is not currently envisaged that any income or gains will be distributed by the Company by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. To the extent that any dividends are paid they will be paid in accordance with any applicable laws and the regulations of the UK Listing Authority.

**Directors**

The Directors of the Company who served during the period were:

Howard Myles (Chairman)  
Edward Flood  
Charles Hansard  
Clive Newall  
Christopher Sherwell

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).

**DIRECTORS' REPORT (CONTINUED)****For the year ended 31 December 2011****Directors (continued)**

For the year ended 31 December 2011 the total remuneration of the Directors was £140,000 (part year 2010: £116,000), with £36,000 (2010: £36,000) payable at year end.

The Directors' interests in the share capital of the Company at both 31 December 2011 and 31 December 2010 were:

	<b>Number of Ordinary Shares</b>	<b>Number of Subscription Shares</b>
Edward Flood	65,000	13,000
Christopher Sherwell	25,000	5,000
Clive Newall	25,000	5,000

Mr Sherwell also has an indirect interest in the shares of the Company through an investment in another fund managed by the Manager.

**Significant Shareholdings**

The significant shareholdings in the Company at 31 December 2011 were:

<b>Ordinary Shareholder</b>	<b>Number of Ordinary Shares</b>	<b>% of Total Shares in issue</b>
The Bank of New York (Nominees) Limited*	25,049,316	37.93
HSBC Global Custody Nominee Limited*	7,665,387	11.61
Nortrust Nominees Limited*	4,566,937	6.92
Royal Bank of Canada Europe Limited	4,001,864	6.06
Roy Nominees Limited*	2,110,710	3.20
State Street Nominees Limited*	1,943,857	2.94
Lynchwood Nominees Limited*	1,834,675	2.78

\* Custodian accounts held on behalf of individual shareholder(s). These holdings are aggregated.

CF Ruffer Baker Steel Gold Fund ("CFRBSGF") had an interest in 6,080,000 Ordinary Shares and 1,420,000 Subscription Shares in the Company at 31 December 2011. These shares are held in a custodian account with The Bank of New York (Nominees) Limited. CFRBSGF shares a common Investment Manager with the Company.

The Manager, Baker Steel Capital Managers (Cayman) Limited, had an interest in 504,832 Ordinary Shares and 100,876 Subscription Shares at 31 December 2011.

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary Shares at 31 December 2011.

**Authorised and Issued 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 raised £30,468,865 (before costs) through the issue of 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares via a Placing and Offer. In addition, the Company issued 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares to the holders of shares in Genus Capital Fund pursuant to a scheme of reorganisation of Genus Capital Fund, in exchange for substantially all the non-cash assets of Genus Capital Fund. With effect from 30 September 2010, 7,543 Ordinary Shares were issued as a result of the exercise of Subscription Shares. With effect from 31 March 2011, 2,429 Ordinary Shares were issued as a result of the exercise of Subscription Shares.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2011**

**Issue of Shares**

The Company was admitted to trading on the London Stock Exchange on 28 April 2010. On that date, 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares were issued pursuant to a placing and offer for subscription and 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares were issued pursuant to a scheme of reorganisation of Genus Capital Fund. In addition 10,000 Management Ordinary Shares were issued. Following the exercise of Subscription Shares at the end of September 2010, 7,543 Ordinary Shares were issued and as a result, the Company had 66,030,632 Ordinary Shares and 13,197,051 Subscription Shares in issue at 31 December 2010.

Following the exercise of Subscription Shares at the end of March 2011, 2,429 Ordinary Shares were issued and as a result, the Company had 66,033,061 Ordinary Shares and 13,194,622 Subscription Shares in issue at 31 December 2011.

**Going Concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Although there is insufficient cash at the year end to settle the current payables and the company is in a net current asset negative position, this was largely due to the accrual of the performance fee to the Manager. The Manager has agreed not to seek payment of the performance fee until the Company has sufficient cash. Furthermore, the Company holds listed securities that can be realised to meet liabilities. 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. Therefore, the financial statements have been prepared on a going concern basis.

**Corporate Governance Compliance**

The Company is committed to maintaining high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment company and which enables the Company to comply with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010.

The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. The Company considers that it has complied with the provisions of the UK Corporate Governance Code throughout the accounting period, except where disclosed below.

*Information and training*

The Board receives full details of the Company's assets, liabilities and other relevant information in advance of Board meetings. Typically, the Board meets formally four times a year; however, the Investment Manager and Company Secretary stay in more regular, less formal contact with the Directors. Individual Directors have direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. New Directors will receive an induction from the Investment Manager and Company Secretary on joining the Board, and all Directors receive other relevant training as necessary.

*Independence*

The Board consists solely of non-executive Directors of whom Howard Myles is Chairman. Charles Hansard has informed the Board that he has entered into a commercial relationship with the Manager, Baker Steel Capital Managers (Cayman) Limited. As a result, he may no longer be deemed as independent under the UK Corporate Governance Code. The Board considers all other Directors as independent of the Manager, Investment Manager and the Investment Advisers and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

*Senior Independent Director*

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

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2011**

**Corporate Governance Compliance (continued)**

*Appointment and re-election*

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 Directors are not required to retire by rotation at each annual general meeting of the Company. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

*Performance appraisal*

The performance of the Board and the Audit Committee are evaluated through an assessment process led by the Chairman. The performance of the Chairman is evaluated by the other Directors.

*Audit committee*

The Board has established an Audit Committee. The Audit Committee meets at least twice 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 auditors may report to the Board. The Audit Committee operates within established terms of reference. These are available on the Company's website [www.bakersteelresourcestrust.com](http://www.bakersteelresourcestrust.com). 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 service providers.

Charles Hansard has informed the Board that he has entered into a commercial relationship with the Manager, Baker Steel Capital Managers (Cayman) Limited. As a result, he may no longer be deemed as independent under the UK Corporate Governance Code. He has therefore stepped down from the Audit Committee. Christopher Sherwell has been appointed Chairman and Clive Newall have joined the Audit Committee.

*Nomination, Remuneration and Management Engagement Committees*

Given the size and nature of the Company and the fact that all the Directors are non-executive it is not deemed necessary to form separate Nomination, Remuneration, and Management Engagement Committees. The Board, as a whole, will consider new Board appointments, remuneration and the engagement of service providers, although in view of Charles Hansard's commercial relationship with the Manager, he will not participate in Board discussions in relation to the Manager's appointment.

*Board meetings*

The Board generally meets at least four times a year, at which time the Directors review the management 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. 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 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.

*Internal Controls*

The Board recognises the need for effective high-level internal controls. The principal controls to address financial, operational and compliance risks are embedded in the operational procedures of the Investment Manager, the Administrator and the Custodian.

High-level controls in operation in relation to the Company include segregation of duties between relevant functions and departments within the Administrator and the Investment Manager. At every quarterly meeting, the Board considers the compliance reports, administration reports, and portfolio valuations provided by the Administrator, and the Investment Manager's reports and analyses.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2011**

**Corporate Governance Compliance (continued)**

*Internal Controls (continued)*

The Administrator has a number of internal control functions including a dedicated Compliance Officer who is appointed as a statutory requirement and whose role is determined by the Guernsey Financial Services Commission which includes the maintenance of a log of errors and breaches which are reported to the Board at each quarterly Board meeting. The Administrator also undertakes an independent annual review of its internal control functions in accordance with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation", issued by the International Auditing and Assurance Standards Board. The Administrator makes this report available to the Board for review and assessment of the control objectives and activities in place.

The Board reviews the effectiveness of the Company's internal control systems on an ongoing basis. Procedures are in place to ensure that necessary action is taken to address any significant weaknesses identified in the control framework. The Board is not aware of any significant failings or weaknesses in the Company's internal controls in the period under review. The Board recognises that the internal controls framework is designed to manage rather than to eliminate relevant risks. The key risks faced by the Company are set out below. The Board reviews the policies for managing each of these principal risks as summarised below. Please also refer to note 5 on pages 30 to 34.

The only fees payable to Ernst & Young LLP were for the annual audit.

*Investment Manager Assessment*

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. Regular reports on these matters, including performance information and portfolio valuations, are submitted to the Board at each meeting.

*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 Board receives feedback on the views of shareholders from the Company's brokers, RBC Capital Markets and Winterflood Securities Limited, and from the Investment Manager.

**General Meetings**

All general meetings of the Company are held in Guernsey. The Company holds an Annual General Meeting each year.

**Principal risks & uncertainties**

**Performance risk**

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 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 is 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 monitors and mandates an adequate diversification of investments, both geographically and sectorally, in order to reduce the risks associated with particular sectors, based on the diversification requirements inherent in the Company's investment policy.

**Market risk**

Market risk arises from volatility in the prices of the Company's underlying investments which, in view of the Company's investment objectives, in turn are 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 which are monitored and reported on by the Investment Manager on a regular basis.

**Financial risk**

The Company's investment activities expose it to a variety of financial risks that include foreign currency risk and interest rate risk. Further details are disclosed in note 5 on pages 30 to 34.



**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2011**

**Corporate Governance Compliance (continued)**

**Operational risk**

In common with most other investment vehicles, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager and the Company's other service providers. For example, the security of the Company's assets, dealing procedures, accounting records and compliance with regulatory and legal requirements depend on the effective operation of these systems.

**Business/Other risks**

The Company invests in companies whose projects are located in emerging markets. In such countries government 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 risks when entering into an investment and seek to mitigate them by diversifying geographically.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

The 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 period. In preparing these consolidated financial statements the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- confirm that there is no relevant audit information of which the Company's auditor is unaware; and
- confirm that they have taken reasonable steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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);
- The financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- The Chairman's Statement, Directors' Report and Investment Manager's Report include a fair review of the development and performance of the business and position 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; and
- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the reasonable steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors by:

Howard Myles

Christopher Sherwell

25 April 2012

**BOARD OF DIRECTORS**

**Howard Myles (aged 62):** 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.

**R. Edward Flood (aged 66):** In March 2007, Edward Flood was appointed Managing Director, Investment Banking, Haywood Securities (UK) Limited. Following graduation from university Edward enjoyed a career as an economic geologist with several different companies in the mining industry over a 20-year period. At Nerco Minerals he was head of the Company's acquisition team during a period of rapid growth fuelled by the purchase of a number of operating precious metal mines. This experience enabled him to make a transition to the financial community as a principal at Robertson Stephens investment bank in San Francisco in 1992. He initially worked as a securities analyst following the gold mining industry before becoming a member of the firm's investment management team for the Contrarian Fund, a public mutual fund concentrated on natural resource opportunities in emerging markets around the world and the Orphan Fund, a similarly structured hedge fund. The funds managed a portfolio of approximately US\$2 billion. Edward became Ivanhoe Mines' founding President in 1995 and served in that capacity until 1999. He has been a member of the board of directors since Ivanhoe was formed. Between 1999 and 2001, Edward held the position of senior mining analyst with Haywood Securities in Vancouver before returning to Ivanhoe Mines as deputy chairman, a position held until joining Haywood Securities (UK) Limited in March 2007. He is also the Chairman of Western Uranium Corporation and director of several mineral exploration and development companies. Edward holds a Masters of Science (Geology) degree from the University of Montana and is a member of the Geological Society of London.

**Charles Hansard (aged 63):** Charles Hansard has over 30 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 the Moore Capital group of funds, AAA- rated Deutsche Bank Global Liquidity Fund, and Electrum Ltd., a privately owned 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.

**Clive Newall (aged 62):** Clive Newall graduated from the Royal School of Mines, University of London, England in 1971 with an honours degree in Mining Geology, and was awarded an MBA from the Scottish Business School at Strathclyde University. He has worked in mining and exploration throughout his career, having held senior management positions with Amax Exploration Inc. and the Robertson Group plc. Clive has been a director of a number of public companies in the United Kingdom and Canada.

**Christopher Sherwell (aged 64):** Christopher Sherwell has worked since 2004 as a senior Non-Executive Director based in Guernsey with roles in the offshore finance industry. Christopher has served as director with a variety of listed funds managed by institutions such as Goldman Sachs, Hermes and Dexion. Christopher also acts as a non-executive director of a number of locally incorporated operational companies including Raven Russia Limited. Prior to January 2004, Christopher was a Managing Director of Schroders' offshore investment and private banking operations in the Channel Islands. Christopher was previously Investment Director from 1993-2000 and also served on the boards of various Schroder group companies and funds during his period there. Prior to Schroders he worked at Smith New Court as a research analyst specialising in asset allocation for Asian markets. Christopher is a Rhodes Scholar with degrees in science and in economics and politics. He has worked as a university lecturer and was for sixteen years a journalist, most of them working for the Financial Times.

**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT  
AT 31 DECEMBER 2011**

<b>Shares /Warrants/ Nominal</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b>Listed equity shares</b>			
<b>Australian Dollars</b>			
20,560,122	South American Ferro Metals Limited	2,642,935	3.05
<b>Australian Dollars Total</b>		<b>2,642,935</b>	<b>3.05</b>
<b>Canadian Dollars</b>			
3,383,333	BacTech Environmental Corporation	363,479	0.42
1,100,000	Forbes & Manhattan Coal Corporation	1,230,416	1.42
19,316,667	REBgold Corporation	488,290	0.56
<b>Canadian Dollars Total</b>		<b>2,082,185</b>	<b>2.40</b>
<b>Great Britain Pounds</b>			
27,815,933	Metals Exploration Plc	3,407,452	3.93
<b>Great Britain Pounds Total</b>		<b>3,407,452</b>	<b>3.93</b>
<b>Total investment in listed equity shares</b>		<b>8,132,572</b>	<b>9.38</b>
<b>Fixed Income Instruments</b>			
<b>United States Dollars</b>			
5,100,000	Argentum Convertible Note @ 0.1% 25/01/2013	3,276,793	3.78
450,000	Polar Silver Convertible Note	289,129	0.33
<b>United States Dollars Total</b>		<b>3,565,922</b>	<b>4.11</b>
<b>Total investment in Fixed Income Instruments</b>		<b>3,565,922</b>	<b>4.11</b>
<b>Unlisted equity shares and warrants</b>			
<b>Canadian Dollars</b>			
10,250,000	BacTech Mining Corporation Warrants 17/06/2015	82,265	0.09
6,666,667	BacTech Mining Corporation Warrants 06/08/2013	24,436	0.03
6,282,341	Ironstone Resources Limited	5,955,232	6.87
3,036,605	Ironstone Resources Limited Warrants 30/06/2012	69,084	0.08
2,400,000	REBgold Corporation Warrants 20/11/2016	5,915	0.01
<b>Canadian Dollars Total</b>		<b>6,136,932</b>	<b>7.08</b>

**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT (CONTINUED)  
AT 31 DECEMBER 2011**

<b>Shares /Warrants/ Nominal</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b>Unlisted equity shares and warrants (continued)</b>			
<b>Great Britain Pounds</b>			
1,594,646	Celadon Mining Limited	143,518	0.16
<b>Great Britain Pounds Total</b>		<b>143,518</b>	<b>0.16</b>
<b>United States Dollars</b>			
3,034,734	Archipelago Metals Limited	389,968	0.45
451,445	Bilboes Holdings (Private) Limited	3,855,063	4.44
7,000,000	Black Pearl Limited Partnership	4,497,558	5.19
55,246,318	China Polymetallic Mining Limited	7,645,090	8.82
311,815	Copperbelt Minerals Limited	2,404,125	2.77
285,852	Copperbelt Minerals Warrants 15/10/2012	19,412	0.02
5,713,642	Ferrous Resources Limited	11,013,188	12.70
4,244,550	Gobi Coal and Energy Limited	17,726,532	20.44
9,787,495	Ivanplats Limited	22,009,917	25.38
1,070	Polar Silver Resources Limited	687	0.00
<b>United States Dollars Total</b>		<b>69,561,540</b>	<b>80.21</b>
<b>Total unlisted equity shares and warrants</b>		<b>75,841,990</b>	<b>87.45</b>
<b>Financial Assets held at fair value through profit or loss</b>		<b>87,540,484</b>	<b>100.94</b>
<b>Other Assets &amp; Liabilities</b>		<b>(816,834)</b>	<b>(0.94)</b>
<b>Total Equity</b>		<b>86,723,650</b>	<b>100.00</b>

**INDEPENDENT AUDITOR'S REPORT**

**For the year ended 31 December 2011**

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

We have audited the financial statements of Baker Steel Resources Trust Limited for the year ended 31 December 2011 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 14. 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.

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 15 of 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011, and of its comprehensive income 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 prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies (Guernsey) Law, 2008, we are required to report to you, if in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review the parts of the Corporate Governance disclosures in the Director's Report relating to the Company's compliance with the nine provisions of the June 2008 UK Corporate Governance Code specified for our review.

Michael Bane

For and on behalf of Ernst & Young LLP  
Guernsey, Channel Islands

25 April 2012

*Insofar as the financial statements are published on the company website, the maintenance and integrity of the Baker Steel Resources Trust Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	Notes	2011 £	2010 £
<b>Assets</b>			
Cash and cash equivalents	10	1,629,044	1,013,506
Tax refund receivable	6	1,402,642	-
Other receivables		12,111	330,561
Financial assets held at fair value through profit or loss (Cost: £63,535,547 (2010: £63,126,417))	3	87,540,484	67,160,848
<b>Total assets</b>		<b>90,584,281</b>	<b>68,504,915</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Performance fees payable	8	3,651,275	-
Management fees payable	8	84,635	79,513
Directors' fees payable		36,000	36,000
Audit fees payable		40,000	40,000
Administration fees payable	7	27,443	10,193
Other payables		21,278	38,382
Formation expenses payable		-	26,529
<b>Total liabilities</b>		<b>3,860,631</b>	<b>230,617</b>
<b>Equity</b>			
Management Ordinary Shares	11	10,000	10,000
Ordinary Shares	11	64,657,584	64,655,155
Profit and loss account		22,056,066	3,609,143
<b>Total equity</b>		<b>86,723,650</b>	<b>68,274,298</b>
<b>Total equity and liabilities</b>		<b>90,584,281</b>	<b>68,504,915</b>
Ordinary Shares in issue	11	66,043,061	66,040,632
Net asset value per Ordinary Share (in Pence) – Basic	4	131.3	103.4

These financial statements were approved by the Board of Directors on 25 April 2012 and signed on its behalf by:

Howard Myles

Christopher Sherwell

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	Year ended 2011 Revenue £	Year ended 2011 Capital £	Year ended 2011 Total £
<b>Income</b>				
Interest income		71,323	-	71,323
Net gain on financial assets and liabilities at fair value through profit or loss	3	-	24,624,322	24,624,322
Net foreign exchange loss		-	(166,176)	(166,176)
Other income		112	-	112
<b>Net income</b>		<b>71,435</b>	<b>24,458,146</b>	<b>24,529,581</b>
<b>Expenses</b>				
Performance fees	8	-	3,651,275	3,651,275
Management fees	8	1,129,886	-	1,129,886
Directors' fees and expenses		143,589	-	143,589
Audit fees		49,465	-	49,465
Administration fees	7	87,671	-	87,671
Custody fees		49,775	-	49,775
Other expenses	9	337,347	-	337,347
<b>Total expenses</b>		<b>1,797,733</b>	<b>3,651,275</b>	<b>5,449,008</b>
Less withholding tax paid		-	633,650	633,650
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,726,298)</b>	<b>20,173,221</b>	<b>18,446,923</b>
<b>Net (expense)/earnings for the year per Ordinary Share:</b>				
Basic and diluted (in pence)	4	(2.6)	30.5	27.9
<b>Weighted Average Number of Ordinary Shares</b>				
<b>Outstanding:</b>				
Basic and diluted	4			66,042,454

In the year ended 31 December 2011 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

	Notes	Period ended 2010* Revenue £	Period ended 2010* Capital £	Period ended 2010* Total £
<b>Income</b>				
Interest income		132,564	-	132,564
Net gain on financial assets and liabilities at fair value through profit or loss	3	-	3,950,281	3,950,281
Net foreign exchange gain		-	494,905	494,905
Other income		335,021	-	335,021
<b>Net income</b>		<b>467,585</b>	<b>4,445,186</b>	<b>4,912,771</b>
<b>Expenses</b>				
Management fees	8	724,147	-	724,147
Directors' fees and expenses		116,000	-	116,000
Audit fees		40,000	-	40,000
Administration fees	7	74,773	-	74,773
Custody fees		27,220	-	27,220
Other expenses	9	168,618	-	168,618
Formation expenses		152,870	-	152,870
<b>Total expenses</b>		<b>1,303,628</b>	<b>-</b>	<b>1,303,628</b>
<b>Net comprehensive (loss)/income for the period</b>		<b>(836,043)</b>	<b>4,445,186</b>	<b>3,609,143</b>
<b>Net (loss)/earnings for the period per Ordinary Share:</b>				
Basic and diluted (in pence)	4	(1.3)	6.7	5.5
<b>Weighted Average Number of Ordinary Shares Outstanding:</b>				
Basic and diluted	4			66,035,918

In the period ended 31 December 2010 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

\*For the period from 9 March 2010 (date of incorporation) to 31 December 2010.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>Management Ordinary Shares £</b>	<b>Ordinary Shares £</b>	<b>Profit and loss account £</b>	<b>Year ended 2011 £</b>
Balance as at 1 January 2011	10,000	64,655,155	3,609,143	68,274,298
Proceeds on issue of Ordinary Shares	-	2,429	-	2,429
Net gain for the year	-	-	18,446,923	18,446,923
<b>Balance as at 31 December 2011</b>	<b>10,000</b>	<b>64,657,584</b>	<b>22,056,066</b>	<b>86,723,650</b>

	<b>Management Ordinary Shares £</b>	<b>Ordinary Shares £</b>	<b>Profit and loss account £</b>	<b>Period Ended 2010* £</b>
Proceeds on issue of Ordinary Shares	10,000	66,030,632	-	66,040,632
Share issue costs	-	(1,375,477)	-	(1,375,477)
Net gain for the period	-	-	3,609,143	3,609,143
<b>Balance as at 31 December 2010</b>	<b>10,000</b>	<b>64,655,155</b>	<b>3,609,143</b>	<b>68,274,298</b>

\*For the period from 9 March 2010 (date of incorporation) to 31 December 2010.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	Year ended 2011 £	Period ended 2010* £
<b>Cash flows from operating activities</b>			
Net income for the year/period		18,446,923	3,609,143
<i>Adjustments to reconcile income for the year/period to net cash used in operating activities:</i>			
Net change in fair value of financial assets at fair value through profit or loss		(24,624,322)	(3,780,046)
Net increase in other receivables		(1,084,192)	(330,561)
Net increase in other payables		3,630,014	230,617
<b>Net cash used in operating activities</b>		<b>(3,631,577)</b>	<b>(270,847)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss		(22,167,287)	(33,367,828)
Sale of financial assets at fair value through profit or loss		26,411,973	5,541,250
<b>Net cash provided by/(used in) investing activities</b>		<b>4,244,686</b>	<b>(27,826,578)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued	11	2,429	30,486,408
Share issue costs		-	(1,375,477)
<b>Net cash provided by financing activities</b>		<b>2,429</b>	<b>29,110,931</b>
<b>Net increase in cash and cash equivalents</b>		<b>615,538</b>	<b>1,013,506</b>
Cash and cash equivalents at the beginning of the year/period		1,013,506	-
<b>Cash and cash equivalents at the end of the year/period</b>	10	<b>1,629,044</b>	<b>1,013,506</b>
<b>Represented by:</b>			
Cash and cash equivalents		1,629,044	1,013,506
<b>Cash and cash equivalents at the end of the year/period</b>	10	<b>1,629,044</b>	<b>1,013,506</b>

\*For the period from 9 March 2010 (date of incorporation) to 31 December 2010.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. GENERAL INFORMATION**

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 POI Law and the Registered Collective Investment Scheme Rules 2008 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 shares were admitted to the Premium listing segment of the Official List on 28 April 2010.

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 or “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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements have been prepared on an historic cost basis except for financial assets and financial liabilities at fair value through profit or loss, which are designated at fair value through profit or loss.

The Company’s functional currency is the Great Britain pound sterling (“£”), being the currency in which its Ordinary Shares and Subscription Shares are issued and in which returns are made to shareholders. The presentation currency is the same as the functional currency. The Company invests in companies around the world whose shares are denominated in various currencies. Currently the majority of the portfolio is denominated in US Dollars but this will not necessarily remain the case as the portfolio develops.

The Statement of Comprehensive Income is presented in accordance with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ issued in January 2009 by the Association of Investment Companies, to the extent that it does not conflict with International Financial Reporting Standards (“IFRS”).

**Statement of Compliance**

These financial statements have been prepared in accordance with IFRS as adopted by the European Union.

**b) Significant accounting judgements and estimates**

The preparation of the Company’s financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. 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 affected in the future. The most significant judgement relates to the valuation of the Company’s unlisted investments which are valued by the Board at fair value in accordance with IFRS having regard to such factors as they deem relevant. This may include information received from market sources as to trading on unofficial or “grey” markets requiring a judgement on whether a particular transaction represents fair value. It may also include using industry specific models which require judgement about the investee Company’s resources, reserve estimates and associated operating and cost projections. Judgement is also required regarding the long term market prices for relevant commodities produced and comparison with comparable transactions and listed company multiples.

**c) Financial assets and liabilities at fair value through profit or loss**

The Company designates its investments, other than derivatives, as at fair value through profit or loss, at initial recognition. All derivatives are classified as held for trading and included in financial assets at fair value through profit or loss.

*Recognition and derecognition*

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. Routine purchases and sales of investments are accounted for on the trade date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**c) Financial assets and liabilities at fair value through profit or loss (continued)**

*Recognition and derecognition (continued)*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are re-measured at fair value. Gains and losses arising from changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished or when the obligation specified in the contract is discharged, cancelled or expired.

*Basis of designation of fair value*

Designation of the investments in this way is consistent with the Company's documented risk management policy and investment strategy, and information about the investments is provided to the Board on this basis.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments recognised in the Statement of Comprehensive Income. Investments are derecognised on sale. Gains and losses on sale of investments are recognised in the Statement of Comprehensive Income.

*Determination of fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments traded in active markets at the reporting date is based on their last quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 3.

**d) Interest income and expense**

Bank interest income, fixed income instruments interest and interest expense are recognised on an accruals basis based on the effective interest method.

**e) Cash and cash equivalents, margin accounts with brokers and cash overdrawn**

Cash and cash equivalents in the statement of financial position comprise cash balances held at banks.

**f) Expenses**

All expenses are recognised on an accruals basis.

**g) Translation of foreign currencies**

Foreign currency transactions during the period are translated into £ at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into £ 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 period, are included in the Statement of Comprehensive Income.

**h) Segment information**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**i) Net asset value per share**

Net Asset Value per share disclosed on the face of the Statement of Financial Position is calculated in accordance with the Company's Prospectus by dividing the net assets of the Company on the Statement of Financial Position date by the number of Ordinary Shares outstanding at that date.

**j) New accounting pronouncements**

The following standards, amendments and interpretations are effective for the current period:

IAS 24: Related party disclosures – for accounting periods commencing on or after 1 January 2011

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments – for accounting periods commencing on or after 1 July 2010

IFRIC 14: Prepayments of a minimum funding requirement – for accounting periods commencing on or after 1 January 2011

IAS 32 amendments: Classification of rights issue-for accounting periods commencing on or after 1 February 2010

IFRS 1 amendments: Limited exemption from comparative IFRS 7 disclosures – for accounting periods commencing on or after 1 July 2010

IAS 12: Income Taxes –Tax recovery of underlying assets (Amendment)

IAS 39: Financial Instruments: Recognition and Measurement – Classification of rights issues 2010 improvements to IFRS

These standards have been adopted in the Company's accounting policies but had no material impact on these financial statements.

**k) New accounting pronouncements not yet effective**

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied, were in issue but not yet effective:

IFRS 7: Disclosures – Transfer of financial assets- for accounting periods commencing on or after 1 July 2011

IFRS 9: Financial Instruments – for accounting periods commencing on or after 1 January 2013

IFRS 10 : Consolidated Financial Statements – for accounting periods commencing on or after 1 January 2013

IFRS 11 : Joint Arrangements – for accounting periods commencing on or after 1 January 2013

IFRS 12 : Disclosure of Interests in Other Entities – for accounting periods commencing on or after 1 January 2013

IFRS 13: Fair value measurement – for accounting periods commencing on or after 1 January 2013

IAS 1 : Presentation of Financial Statements

IAS 19 : Employee Benefits

IAS 27 : Consolidated and Separate Financial Statements

The Directors have not yet assessed the impact that the adoption of these standards and interpretations in future periods will have on the financial statements of the Company. These standards and interpretations will be adopted when they become effective.

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

<b>31 December 2011</b>	<b>Listed equity shares</b>	<b>Unlisted equity shares</b>	<b>Fixed income instruments</b>	<b>Warrants</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Financial assets at fair value through profit or loss</i>					
Cost	9,006,135	51,020,003	3,509,409	-	63,535,547
Unrealised gain/(loss)	(873,563)	24,620,875	56,513	201,112	24,004,937
Market value at 31 December 2011	8,132,572	75,640,878	3,565,922	201,112	87,540,484

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011

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

31 December 2010	Listed equity shares £	Unlisted equity shares £	Fixed income instruments £	Warrants £	Total £
<i>Financial assets at fair value through profit or loss</i>					
Cost	5,021,326	36,930,304	12,766,600	8,408,187	63,126,417
Unrealised gain/(loss)	1,983,502	(1,741,792)	(13,090)*	3,805,811	4,034,431
Market value at 31 December 2010	7,004,828	35,188,512	12,753,510	12,213,998	67,160,848

\*includes interest income of £170,235.

The following table analyses net gains on financial assets and liabilities at fair value through profit or loss for the year/period ended 31 December 2011 and 31 December 2010.

	Year ended 2011 £	Period ended 2010 £
<b>Financial assets and liabilities at fair value through profit or loss</b>		
<i>Realised gains/(losses) on:</i>		
- Listed equity shares	(317,716)	-
- Unlisted equity shares	5,058,617	-
- Fixed income instruments	(257,320)	(84,150)
	4,483,581	(84,150)
<i>Movement in unrealised gains/(losses) on:</i>		
- Listed equity shares	(2,857,065)	1,983,502
- Unlisted equity shares	26,362,666	(1,741,792)
- Fixed income instruments	239,838	(13,090)
- Warrants	(3,604,698)	3,805,811
	20,140,741	4,034,431
<b>Net gain on financial assets and liabilities at fair value through profit or loss</b>	<b>24,624,322</b>	<b>3,950,281</b>

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2011.

	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	8,132,572	-	-	8,132,572
Unlisted equity shares	-	-	75,640,878	75,640,878
Warrants	-	-	201,112	201,112
Fixed income instruments	-	-	3,565,922	3,565,922
	8,132,572	-	79,407,912	87,540,484

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2010.

	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	7,004,828	-	-	7,004,828
Unlisted equity shares	-	-	35,188,512	35,188,512
Warrants	-	-	12,213,998	12,213,998
Fixed income instruments	12,753,510	-	-	12,753,510
	19,758,338	-	47,402,510	67,160,848

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2011.

	<b>Total £</b>	<b>Equities £</b>	<b>Fixed income instruments £</b>	<b>Warrants £</b>
Opening balance 1 January 2011	47,402,510	35,188,512	-	12,213,998
Purchases of investments	17,599,108	14,089,699	3,509,409	
Investment option converted and exercised	(8,408,187)	-	-	(8,408,187)
Change in net unrealised appreciation/(depreciation)	22,814,481	26,362,667	56,513	(3,604,699)
Closing balance 31 December 2011	79,407,912	75,640,878	3,565,922	201,112

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 earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2010.

	<b>Total £</b>	<b>Equities £</b>	<b>Warrants £</b>
Opening balance 9 March 2010	-	-	-
Purchases of investments	45,338,491	36,930,304	8,408,187
Change in net unrealised appreciation/(depreciation)	2,064,019	(1,741,792)	3,805,811
Closing balance 31 December 2010	47,402,510	35,188,512	12,213,998

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.

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. 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.

Investments classified within Level 3 have significant unobservable inputs. They include unlisted fixed income instruments, unlisted equity shares and warrants. Level 3 investments are valued using valuation techniques explained in the Company's accounting policies. 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 to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Directors in the absence of market information. In cases where there have been no relevant transactions during the year, the Directors will take due consideration of the change in Development Risk Adjusted Net Present Values of the assets underlying the investments, prepared by the Investment Manager, since the last change in valuation and of whether such change is indicative of a change in fair value.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**4. NET ASSET VALUE PER SHARE AND EARNING PER SHARE**

Basic net asset value per share is based on the net assets of £86,723,650 (31 December 2010: £68,274,298) and 66,043,061 (31 December 2010: 66,040,632) Ordinary Shares, being the number of shares in issue at the year end. The Subscription Shares are entitled to be converted to Ordinary Shares at 100p per share. The calculation for basic net asset value is as below:-

	<b>31 December 2011</b>		<b>31 December 2010</b>	
	<b>Ordinary Shares</b>	<b>Subscription Shares</b>	<b>Ordinary Shares</b>	<b>Subscription Shares</b>
Net assets at the year/period end (£)	86,723,650	13,194,622	68,274,298	13,197,051
Number of shares	66,043,061	13,194,622	66,040,632	13,197,051
Basic net asset value per share (in pence)	131.3		103.4	

The basic and diluted earnings per share is based on the net income for the year/period of the Company of £18,446,923 (2010: £3,609,143) and on 66,042,454 (2010: 66,035,918) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year/period. As the average market share price for the year of the Company is lower than the subscription price the diluted net asset value per share is not disclosed. This calculation is prepared in accordance with IFRS.

**5. RISK MANAGEMENT POLICIES AND DISCLOSURES**

The Company's principal financial instruments comprise financial assets, primarily unlisted equity investments in natural resources companies. These investments reflect the core of the Company's investment strategy.

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

**Risk exposures and responses**

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. 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 and credit risk.

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

**a) Market risk**

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

**i. Market Price risk**

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

The following illustrates the sensitivity of the income to an increase or decrease of 10% in the fair value of the Company's investment portfolio. The level of change is considered to be reasonably possible based on observations of current market conditions in 2012. The sensitivity analysis assumes all other variables are held constant.

The impact of a 10% decrease in the value of investments on the net assets and income of the Company as at 31 December 2011 would have been a decrease of £8,754,048 (31 December 2010: £6,716,084). An increase of 10% would increase the net asset value by £8,754,048. In practice, the actual results may differ from the sensitivity analysis above and the difference could be material.

**ii. Currency risk**

The majority of the Company's financial assets and liabilities are denominated in US dollars. The functional currency of the Company is sterling. Currency risk is the risk that the value of non-£ denominated financial instruments will fluctuate due to changes in foreign exchange rates. The table below shows the currencies and amounts the Company was exposed to at 31 December 2011 and 31 December 2010.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**Risk exposures and responses (continued)**

**a) Market risk (continued)**

**ii Currency risk (continued)**

**31 December 2011**

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	4,009,246	0.6592	2,642,935	3.05%
CAD	15,225,605	0.6319	9,621,759	11.09%
EUR	(11,801)	0.8347	(9,930)	(0.01%)
GBP	1,352,133	1.0000	1,352,133	1.56%
USD	113,800,395	0.6425	73,116,753	84.31%
			<b>86,723,650</b>	<b>100.00%</b>

**31 December 2010**

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	5,577,272	0.6555	3,655,902	5.35
CAD	20,726,156	0.6439	13,345,572	19.55
EUR	(10,469)	0.8589	(8,992)	(0.01)
GBP	14,403,704	1.0000	14,403,704	21.10
USD	57,577,068	0.6405	36,878,112	54.01
			<b>68,274,298</b>	<b>100.00</b>

At 31 December 2011 and 31 December 2010, had any foreign currencies strengthened by 10% relative to sterling, with all other variables held constant, total equity would have increased by the amounts shown below.

<b>Currency</b>	<b>2011 Value £</b>	<b>2010 Value £</b>
AUD	264,294	365,590
CAD	962,176	1,334,557
EUR	(993)	(899)
USD	7,311,675	3,687,811
	<b>8,537,152</b>	<b>5,387,059</b>

A 10% decrease in foreign currencies relative to sterling, with all other variables held constant, would lead to a corresponding decrease in the total equity by equal but opposite amounts as shown in the above tables. 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 interest-bearing 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 cash flows, it is subject to little direct exposure to interest rate fluctuations as the majority of the financial assets are equity investments which do not pay interest. Any excess cash and cash equivalents are invested at short-term market interest rates which exposes 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

Risk exposures and responses (continued)

a) Market risk (continued)

iii. Interest rate risk (continued)

At 31 December 2011	Up to 1 month	More than 6 months	Non-interest bearing	Total
	£	£	£	£
<b>Assets</b>				
Cash and cash equivalents	1,629,044	-	-	1,629,044
Financial assets held at fair value through profit or loss	-	3,565,922	83,974,562	87,540,484
Receivables	-	-	1,414,753	1,414,753
<b>Total Assets</b>	<b>1,629,044</b>	<b>3,565,922</b>	<b>85,389,315</b>	<b>90,584,281</b>
<b>Liabilities</b>				
Performance fees accrued	-	-	3,651,275	3,651,275
Other liabilities	-	-	209,356	209,356
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,860,631</b>	<b>3,860,631</b>
<b>Interest rate sensitivity gap</b>	<b>1,629,044</b>	<b>3,565,922</b>		

At 31 December 2010	Up to 1 month	1 - 3 months	Non-interest bearing	Total
	£	£	£	£
<b>Assets</b>				
Cash and cash equivalents	1,013,506	-	-	1,013,506
Financial assets held at fair value through profit or loss	-	12,753,510	54,407,338	67,160,848
Receivables	-	-	330,561	330,561
<b>Total Assets</b>	<b>1,013,506</b>	<b>12,753,510</b>	<b>54,737,899</b>	<b>68,504,915</b>

	Up to 1 month	More than 6 months	Non-interest bearing	Total
	£	£	£	£
<b>Liabilities</b>				
Other liabilities	-	-	230,617	230,617
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>230,617</b>	<b>230,617</b>
<b>Interest rate sensitivity gap</b>	<b>1,013,506</b>	<b>12,753,510</b>		

*Interest rate sensitivity*

At 31 December 2011, should interest rates have fallen between 10 and 25 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of Ordinary Shares for the period would amount to approximately £1,629 (2010: £1,014) and £4,073 (2010: £2,534) for assets up to 1 month respectively and £3,566 (2010: £12,753) and £8,915 (2010: £31,884) for assets more than 6 months respectively. If interest rates had risen by between 10 and 25 basis points it would have an equal but opposite effect as the decrease.

The income on the Company's cash assets is positively correlated to interest rates. As interest rates rise, the interest earned would follow (rise) thus increasing the value of the Company.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**Risk exposures and responses (continued)**

**c) Liquidity risk (continued)**

<b>At 31 December 2010</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than 12 months</b>	<b>No contractual maturity</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>						
Cash and cash equivalents	1,013,506	-	-	-	-	1,013,506
Financial assets held at fair value through profit or loss	-	23,955,707	531,708	480,093	42,193,340	67,160,848
Receivables	330,561	-	-	-	-	330,561
<b>Total Assets</b>	<b>1,344,067</b>	<b>23,955,707</b>	<b>531,708</b>	<b>480,093</b>	<b>42,193,340</b>	<b>68,504,915</b>

	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than 12 months</b>	<b>No contractual maturity</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Liabilities</b>						
Other payables and accrued expenses	151,935	38,382	40,000	-	-	230,617
<b>Total liabilities</b>	<b>151,935</b>	<b>38,382</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>230,617</b>

**Net assets attributable to shareholders** 68,274,298

**d) 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, fixed income instruments and trade receivables as stated in the Statement of Financial Position.

As at 31 December 2011, the Company's financial assets were held with the following weight:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>Credit Rating</b>	<b>2011 % of net assets</b>
Fixed income instruments			
- Convertible Loan Note	ZAO Argentum	NR	3.78
- Convertible Loan Note	Polar Silver Resources Limited	NR	0.33
Cash and cash equivalents	HSBC Bank plc	AA-	1.88
<b>Total</b>			<b>5.99</b>

As at 31 December 2010, the Company's financial assets were held with the following weight:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>Credit Rating</b>	<b>2010 % of net assets</b>
Fixed income instruments			
- Short dated gilts	UK Government	AAA	18.68
Cash and cash equivalents	HSBC Bank plc	AA-	1.58
<b>Total</b>			<b>20.26</b>

**6. TAXATION**

The Company is a Guernsey Exempt Company and is therefore not subject to taxation on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual exempt fee of £600 has been paid. The acquisition of First Coal by Xstrata Coal during the period gave rise to Canadian withholding tax of 25% of the gross proceeds of sale. The Company's withholding tax obligation has been reduced as it has filed a Canadian tax return. The tax refund receivable of £1,402,642 represents the Canadian tax refund that is due to the Company.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**7. ADMINISTRATION FEES**

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

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

The administration fees paid for the year ended 31 December 2011 were £87,671 (2010: £74,773) of which £27,443 (2010: £10,193) was payable at 31 December 2011. HSBC Securities Services (Ireland) Limited, the sub-administrator, is paid a portion of these fees by the Administrator.

**8. 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% of the total market capitalisation of the Company per month. The management fee is calculated and accrued as at the last Business Day of each month and is paid monthly in arrears.

The Manager may in certain circumstances also be entitled to be paid a performance fee if the Net Asset Value at the end of any Performance Period exceeds the Hurdle as at the end of the Performance Period. The first performance period commenced on the date of Admission and ended 31 December 2010 and thereafter, is each 12 month period ending on 31 December in each year (the "Performance Period"). In respect of the first Performance Period which was less than a full 12 months, the Hurdle was applied pro rata. For this purpose the "Hurdle" means an amount equal to the Issue Price of £1 per Ordinary Share multiplied by the number of Shares in issue as at Admission, as increased at a rate of 8% per annum compounded to the end of the relevant Performance Period. In respect of the first Performance Period and any other Performance Period which is less than a full 12 months, the Hurdle will be applied pro rata. The performance fee is subject to adjustments for any issue and/or repurchase of Ordinary Shares.

The amount of the performance fee (if any) is 15 per cent of the total increase in the Net Asset Value, if the Hurdle has been met, at the end of the relevant Performance Period over the highest previously recorded Net Asset Value as at the end of a Performance Period in respect of which a performance fee was last accrued, (or the Issue Price multiplied by the number of shares in issue as at Admission, if no performance fee has been so accrued) having made adjustments for numbers of Ordinary Shares issued and/or repurchased as described above. In addition, the performance fee will only become payable if there have been sufficient net realised gains. The Manager has agreed not to seek payment of the performance fee until the Company has sufficient cash.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**9. OTHER EXPENSES**

	<b>2011</b>	<b>2010</b>
	<b>TOTAL</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>
Legal and professional fees	92,916	27,749
Marketing costs	37,531	11,044
Investor servicing fee	22,680	3,596
Consulting fees	18,925	19,859
Board meeting expenses	19,632	12,860
Insurance fees	13,841	12,000
Guernsey regulatory fees	13,748	2,250
Listing fees	12,920	10,891
Compliance fees	7,500	10,000
Website expenses	735	2,040
Valuation agent's fees	-	25,000
Miscellaneous expenses	96,919	31,329
	<b>337,347</b>	<b>168,618</b>

**10. CASH AND CASH EQUIVALENTS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Deposits at HSBC Bank plc	1,629,044	1,013,506

**11. 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 raised £30,468,865 through the issue of 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares via a Placing and Offer. In addition, the Company issued 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares to the holders of shares in Genus Capital Fund pursuant to a scheme of reorganisation of Genus Capital Fund, in exchange for substantially all the non-cash assets of Genus Capital Fund which are detailed as follows:

<b>Quantity</b>	<b>Investments</b>	<b>Transfer value</b>
		<b>£</b>
	<b>Listed equity shares</b>	
358,333	MBAC Fertilizer Corporation	567,717
		<b>567,717</b>
	<b>Unlisted equity shares and warrants</b>	
500	BacTech Mining	328,699
1,594,646	Celadon Mining	297,720
268,889	Copperbelt Minerals	3,545,594
6,123,642	Ferrous Resources	14,130,705
2,571,429	First Coal Corporation	2,315,920
3,350,285	Gobi Coal and Energy	4,417,716
500,000	Ivanhoe Nickel and Platinum	2,884,457
791,666	Ivanhoe Nickel Platinum warrants 1 for 1.2 ordinary	5,480,463
306,980	Ivanhoe Nickel Platinum warrants 1 for 1 ordinary	1,770,941
6,500,000	South American Ferro Metals	2,024,889
		<b>37,197,104</b>
	<b>Total assets transferred</b>	<b>37,764,821</b>
	<b>Less Cash</b>	<b>(2,210,597)</b>
	<b>Value of shares issued</b>	<b>35,554,224</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**11. SHARE CAPITAL (CONTINUED)**

With effect from 30 September 2010, 7,543 Ordinary Shares were issued as a result of the exercise of Subscription Shares. With effect from 31 March 2011, 2,429 Ordinary Shares were issued as a result of the exercise of Subscription Shares. The Company has in issue 66,033,061 Ordinary Shares and 13,194,622 Subscription Shares denominated in sterling. In addition, the Company has 10,000 Management Ordinary Shares in issue, which are held by the Investment Manager.

The subscription rights conferred by the Subscription Shares are exercisable every six months from 30 September 2010 until 31 March 2013 (inclusive). Each Subscription Share carries the right to subscribe for one Ordinary Share at a price of 100 pence.

On 28 April 2010 the Ordinary Shares and Subscription Shares were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. No application has been or will be made to have the Management Ordinary Shares admitted to listing on the Official List or to trading on the London Stock Exchange's Main Market for listed securities.

Holders of Ordinary Shares have the right to receive notice of and to attend and vote at general meetings of the Company. Each holder of Ordinary Shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of Ordinary Shares present in person or by proxy will have one vote for each Ordinary Share held by him.

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

Holders of Subscription Shares are not entitled to attend or vote at meetings of Shareholders.

Holders of Ordinary Shares and Management Ordinary Shares are entitled to receive, and participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein. The Subscription Shares carry no right to any dividend or other distribution by the Company.

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

	<b>2011</b>	<b>2010</b>
<b>Issued and fully paid share capital</b>		
Ordinary Shares of no par value*	66,033,061	66,030,632
Subscription Shares of no par value	13,194,622	13,197,051

The issue of Ordinary Shares during the year ended 31 December 2011 took place as follows:

	<b>Ordinary Shares</b>	<b>Subscription Shares</b>
Balance at 1 January 2011	66,040,632	13,197,051
Conversion of Subscription Shares	2,429	(2,429)
Balance at 31 December 2011	66,043,061	13,194,622

The issue of Ordinary Shares during the period ended 31 December 2010 took place as follows:

	<b>Ordinary Shares</b>	<b>Subscription Shares</b>
Issued during the period via Placing and Offer	30,468,865	6,093,772
Conversion of Subscription Shares	7,543	(7,543)
Issue of Management Ordinary Shares*	10,000	-
Issued during the period to holders of Genus Capital Fund	35,554,224	7,110,822
Balance at 31 December 2010	66,040,632	13,197,051

\* On 9 March 2010, 1 Management Ordinary Share was issued and on 26 March 2010, 9,999 Management Ordinary Shares were issued.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011****11. SHARE CAPITAL (CONTINUED)****Capital Management**

The Company regards capital as comprising its issued Ordinary Shares and Subscription 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; and
- To manage, so far as is reasonably possible, the discount between the Company's share price and its NAV per Ordinary Share

As described in the Directors' Report on page 10, the Company does not currently intend to pay dividends or other distributions. Subscription Shareholders have the right to subscribe for Ordinary Shares as described in Note 11.

The Directors monitor the extent to which capital has been deployed and the manner in which capital has been invested using, inter alia, sectoral and geographic analyses. The Directors also consider whether the Company should undertake further share issues or arrange buy-backs or other capital management programmes consistent with the above objectives although no such action has been taken so far.

The Company has authority to make market purchases of up to 14.99% 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.

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

**12. RELATED PARTY TRANSACTIONS**

On 10 May 2010, the Company acquired 1,384,059 shares in Gobi Coal & Energy Limited from CF Ruffer Baker Steel Gold Fund ("CFRBSGF") at a cost of US\$2,325,219. At that time, CFRBSGF was a related party to the Company by virtue of its holding of 7,100,000 Ordinary Shares in the capital of the Company, equivalent to 10.75%.

The Directors' interests in the share capital of the Company at both 31 December 2011 and 31 December 2010 were:

	<b>Number of Ordinary Shares</b>	<b>Number of Subscription Shares</b>
Edward Flood	65,000	13,000
Christopher Sherwell	25,000	5,000
Clive Newall	25,000	5,000

Mr Sherwell also has an indirect interest in the shares of the Company through an investment in another fund managed by the Manager.

The Manager, Baker Steel Capital Managers (Cayman) Limited, had an interest in 504,832 Ordinary Shares and 100,876 Subscription Shares at 31 December 2011.

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary Shares at 31 December 2011.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**13. SUBSEQUENT EVENTS**

On 6 January 2012, the Company announced an unaudited NAV for 30 December 2011 of 130.3 pence per share. During December 2011 and early January 2012, Ironstone Resources Limited undertook a placing of stock equivalent to around 2.7% of the shares in issue of Ironstone. At the time the year end NAV was being finalised, the Company was not aware of the conclusion of this placing so it was not taken into account in determining the unaudited year end NAV. It has subsequently become apparent that this placing reflected a change in fair value at 31 December 2011. This increase in carrying value has been included in these financial statements and has also led to adjustments in both the 31 January 2012 unaudited NAV and 29 February 2012 unaudited NAV statements.

There have been no other significant subsequent events since the year end.

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

The Annual Report and Audited Financial Statements for the year end 31 December 2011 were approved by the Board of Directors on 25 April 2012.

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# BAKER STEEL RESOURCES TRUST LIMITED

(the “Company”)

(incorporated in Guernsey with registered number: 51576 )

## NOTICE OF 2012 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2012 Annual General Meeting of the Company will be held at Arnold House, St Julian’s Avenue, St Peter Port, Guernsey, GY1 3NF on Wednesday 13<sup>th</sup> June 2012 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, all of which resolution 1 to 6 will be proposed as ordinary resolutions and resolution 7 to 8 be proposed as special resolutions:

### Ordinary Resolutions

1. That the financial statements of the Company for the period ended 31 December 2011 and the reports of the Directors and the auditors thereon be received and adopted.
2. That the reappointment of Ernst & Young LLP (the “**Auditors**”) of 14 New Street, St Peter Port, Guernsey, GY1 4AF as auditors of the Company for the year ended 31 December 2012, be approved and ratified.
3. That Howard Myles, being eligible and offering himself for re-election, be re-elected as a Director of the Company.
4. That Charles Hansard, being eligible and offering himself for re-election, be re-elected as a Director of the Company.
5. That the Directors be and are hereby authorised to fix the remuneration of the Auditors for the year ended 31 December 2012.
6. That the maximum remuneration of the Directors for the year ended 31 December 2012 be fixed at an aggregate amount of £200,000.

### Special Resolutions

7. That, without prejudice to Article 3(b) of the Articles of Incorporation of the Company (the “**Articles**”), the Company generally be and is hereby authorised for the purposes of section 315 of The Companies (Guernsey) Law, 2008, as amended (the “**Law**”) to make market acquisitions of its Ordinary Shares (as defined in the Articles) for all and any purposes, provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the Ordinary Shares in issue at the date of the passing of this resolution;
  - (ii) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share in issue shall be GBP 0.01;
  - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share in issue shall not be more than the higher of (i) 5% above the average mid-market values of the Ordinary Shares as derived from the Official List of the London Stock Exchange plc for the five business days immediately preceding the date of the purchase; and (ii) the higher of the last independent trade and the highest current independent bid for the Ordinary Shares on the trading venue where the purchase is carried out;

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- (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 14 months from the passing of this resolution, unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any Ordinary Share in issue from time to time under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Ordinary Shares pursuant to any such contract;
- (v) the purchase price may be paid by the Company to the fullest extent permitted by the Law; and
- (vi) any Ordinary Shares bought back by the Company may be held in treasury in accordance with the Law or be subsequently cancelled by the Company.
8. That, without prejudice to resolution 7 above, the Company generally be and is hereby authorised in accordance with the Law to make market acquisitions of its Ordinary Shares pursuant to a tender offer, provided that:
- (i) the maximum number of Ordinary Shares hereby authorised to be purchased is up to twenty five per cent. of the Ordinary Shares in issue, at the date of the passing of this resolution;
- (ii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the then prevailing Net Asset Value per Ordinary Share (as defined in the Articles);
- (iii) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is GBP 0.01;
- (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 14 months from the passing of this resolution, unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any Ordinary Share in issue from time to time under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Ordinary Shares pursuant to any such contract;
- (v) the purchase price may be paid by the Company to the fullest extent permitted by the Law; and
- (vi) any Ordinary Shares bought back by the Company may be held in treasury in accordance with the Law or be subsequently cancelled by the Company.

Dated 27<sup>th</sup> April 2012  
By order of the Board

**HSBC Securities Services (Guernsey) Limited**  
Company Secretary

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## Notes

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and any adjournment thereof and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
2. A form of proxy is attached which, if required, should be completed in accordance with these instructions and the instructions thereon.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

**If you do not intend to attend the meeting please complete and return the form of proxy as soon as possible.**

4. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to different shares or a different class of shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number and class of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares of the relevant class held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All forms of proxy must be signed and should be returned together in the same envelope.
5. The notes to the form of proxy explain how to direct your proxy to vote on each resolution or abstain from voting.

To appoint a proxy using the form of proxy, the form of proxy must be:

- completed and signed;
- sent or delivered to the Company at Capita Registrars, FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham Kent, BR3 4TU; and
- received by the Company's registrars no later than 10:30 am on 11<sup>th</sup> June 2012.

In the case of a member which is an individual the form of proxy must be signed under the hand of the appointer or the appointer's attorney duly authorised in writing or in the case of a member which is a company, the form or proxy must be executed either under its common seal or under the hand of an officer or attorney so authorised.

Any power of attorney or any other authority under which the form of proxy is signed or any instrument appointing a proxy (or a notarially certified copy of such power or authority) must be included with the form of proxy.

6. To change your proxy instructions simply submit a new form of proxy using the methods set out above and in the notes to the form of proxy. Note that the cut-off date and time for receipt of a form of proxy (see above) also apply in relation to amended instructions; any amended form of proxy received after the relevant cut-off date and time will be disregarded.

Where you have appointed a proxy using the hard-copy form of proxy and would like to change the instructions using another hard-copy form of proxy, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras) or if calling from overseas +44 (0) 208 639 3399. Lines are open from 9.00 a.m. to 5.30 p.m., Monday to Friday.

If you submit more than one valid form of proxy, the form received last before the latest time for the receipt of proxies will take precedence.

7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is an individual the revocation notice must be under the hand of the appointer or of his attorney duly authorised in writing or in the case of a member which is a company, the revocation notice must be executed either under its common seal or under the hand of an officer of the company or an attorney duly authorised. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Capita Registrars no later than 10:30 am on 11<sup>th</sup> June 2012.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

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Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

8. Except as provided above, members who have general queries about the meeting should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras) or if calling from overseas +44 (0) 208 639 3399. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday.
9. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Company's agent RA10 by 10:30 am on 11<sup>th</sup> June 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the United Kingdom Uncertificated Securities Regulations 2001. In any case your form of proxy must be received by the Company's registrars no later than 10:30 am on 11<sup>th</sup> June 2012.
10. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6.00 p.m. on 11<sup>th</sup> June 2012. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

**Upon completion please return the form of proxy to the following address to arrive no later than 10:30 a.m. on 11<sup>th</sup> June 2012:-**

**Capita Registrars, FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.**

**MANAGEMENT AND ADMINISTRATION**

**DIRECTORS:**

Howard Myles (Chairman)  
Edward Flood  
Charles Hansard  
Clive Newall  
Christopher Sherwell  
*all of whom are non-executive directors*

**REGISTERED OFFICE:**

Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey  
Channel Islands

**MANAGER:**

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

**INVESTMENT MANAGER:**

Baker Steel Capital Managers LLP  
86 Jermyn Street  
London SW1Y 6JD  
England  
United Kingdom

**BROKERS:**

RBC Capital Markets  
71 Queen Victoria Street  
London EC4V 4DE  
United Kingdom

Winterflood Securities Limited  
Cannon Bridge House  
25 Dowgate Hill  
London EC4R 2GA  
United Kingdom

**SOLICITORS TO THE COMPANY:**  
(as to English law)

Simmons & Simmons  
CityPoint  
One Ropemaker Street  
London EC2Y 9SS  
United Kingdom

**ADVOCATES TO THE COMPANY:**  
(as to Guernsey law)

Ogier  
Ogier House  
St. Julian's Avenue  
St. Peter Port  
Guernsey GY1 1WA  
Channel Islands

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

**ADMINISTRATOR & COMPANY SECRETARY:** HSBC Securities Services (Guernsey) Limited  
Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey GY1 3NF  
Channel Islands

**SUB-ADMINISTRATOR TO THE COMPANY:** HSBC Securities Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland

**CUSTODIAN TO THE COMPANY:** HSBC Institutional Trust Services (Ireland) Limited  
1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2  
Ireland

**AUDITORS:** Ernst & Young LLP  
Royal Chambers  
St. Julian's Avenue  
St. Peter Port  
Guernsey GY1 4AF  
Channel Islands

**REGISTRAR:** Capita Registrars (Guernsey) Limited  
Longue Hougue House  
St. Sampson  
Guernsey GY2 4JN  
Channel Islands

**PRINCIPAL BANKER** HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
United Kingdom











