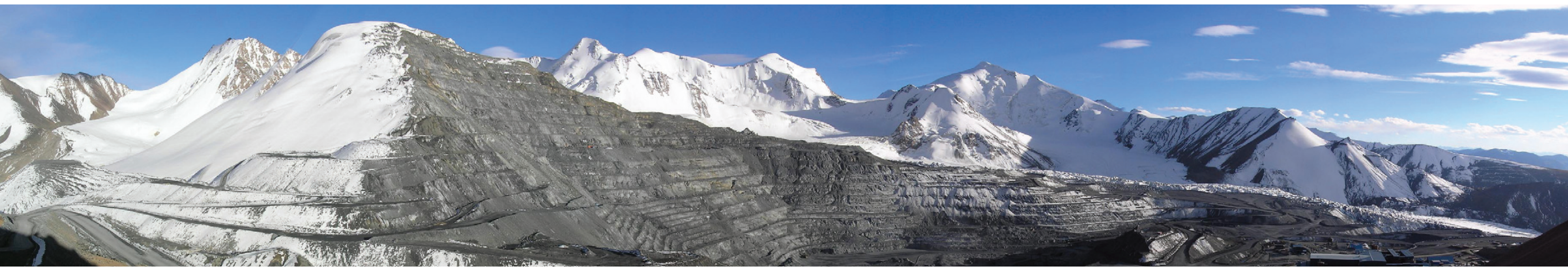

bakersteel resourcestrust

BAKER STEEL RESOURCES TRUST LIMITED

Annual Report and Audited Financial Statements

For the year ending 31 December 2016

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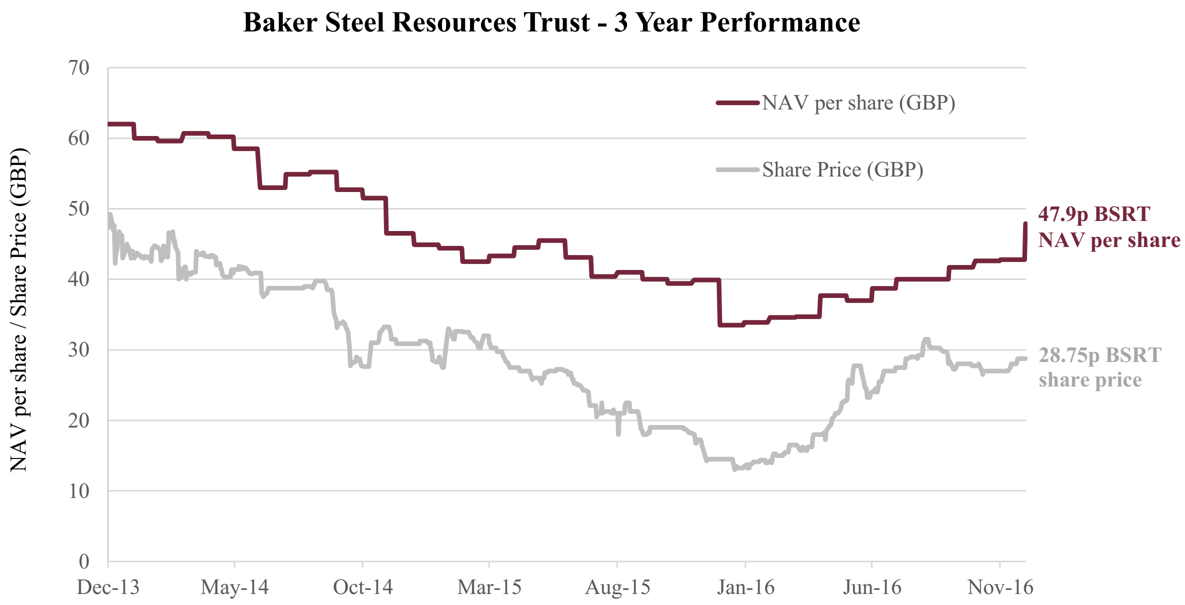
MISSION STATEMENT

Baker Steel Resources Trust ("BSRT") aims to be recognised as the funding partner of choice for selected resources projects and management teams, delivering superior returns to our shareholders over the long term whilst investing ethically and responsibly.



Source: Bloomberg, Baker Steel internal
Data at 31 December 2016

CHAIRMAN'S STATEMENT
For the year ended 31 December 2016

As I write to you this year the outlook for the Company is more positive than in recent years. In 2015, early green shoots in the mining market were quickly snuffed out. In 2016, however the recovery in the sector seems to have taken deeper root. Gold stocks led the way in the first half and although they gave up some of their gains in the second half the FTSE Gold Mines Index still finished up 90.5% on the year. The recovery in base metals and bulk minerals did not however occur until the second half of the year with iron ore up 81%, coking coal up 174% and copper up 17%, albeit from low bases. Partly as a result of this favourable background, the Company's Net Asset Value ("NAV") per share increased by 43.0% compared with a fall of 25.4% in 2015.

The Company invests in a highly cyclical sector which can lead to significant volatility in values such that share price movements are often exaggerated by investor sentiment towards the sector. This time last year most investors had lost interest in mining securities and I highlighted this with one example: the Company's listed investment Ivanhoe Mines ("Ivanhoe"), which sold half of its Kamoa copper project for C$580 (£470) million in cash at the end of 2015 but was still only capitalised at C$475 (£385) million. During 2016, the turn in investor sentiment, as well as some additional exceptional exploration success resulted in the share price of Ivanhoe increasing by 274% in Sterling terms. During the first quarter of 2017 the strong performance of Ivanhoe's shares has continued, rising a further 81% in Sterling terms.

The Company's policy is to have a small number of core investments and in many cases the Investment Manager is able proactively to guide the strategy of its investee companies. Whilst this can be on an informal basis the Company is represented on six of the boards of its top 10 investments. During 2016 the Investment Manager led the reorganisation of the Company's largest investment, Polar Silver Resources, resulting in the Company becoming the majority shareholder in a newly formed holding company, Polar Acquisition Limited ("PAL"). The Investment Manager has also been able to attract a new highly respected local partner, Polymetal International plc ("Polymetal"), which has committed to fund a feasibility study on the Prognoz Silver project over the next two years. Polymetal is a Russian based significant gold and silver producer listed on the London Stock Exchange and a constituent of the FTSE 250 Index. Following the reorganisation PAL represented 37.9% of the Company's NAV at year-end, although it is the Board's intention that this be reduced as the opportunity arises.

During 2016 the Company's share price followed the increase in NAV, rising 98.3%. During the year the discount narrowed from 57% to 40% and on 31 March 2017 stood at 25%. The Investment Manager is now seeing a significant increase in the flow of investment opportunities, with more participants in the mining market seeking finance and with a more realistic approach to pricing. In these circumstances shareholder value is more likely to be created through making attractive investments than through repurchases at the current levels of discount with the consequent reduction in the size of the Company and in the liquidity of the Company's shares. The Board has concluded that it is in the best interest of shareholders to revise the policy announced in 2015 whereby 50% of the proceeds of realisations would be used to repurchase shares. In future the Board will take into account conditions in the stock market and mining markets when deciding whether to make major repurchases of the Company's own shares.

During the first quarter of 2017, the NAV continued the recovery seen in 2016, and I am optimistic that Shareholders' patience and support during the downturn of the last few years will continue to be rewarded.

Howard Myles
Chairman
5 April 2017

INVESTMENT MANAGER'S REPORT
For the year ended 31 December 2016

Financial Performance

The audited undiluted Net Asset Value ("NAV") per Ordinary Share as at 31 December 2016 was 47.9 pence, an increase of 43.0% in the year and a decrease of 52.1% from the Company's first NAV per Ordinary Share calculated on 30 April 2010. During the year the Euromoney Global Mining 100 Index was up 88.4% (down 40.0% since 30 April 2010) (percentages calculated in Sterling Terms).

For the purpose of calculating the NAV per Ordinary Share, all investments are carried at fair value as at 31 December 2016. The fair value of unquoted investments is determined by the Directors with assistance from the Investment Manager. Quoted investments are carried at closing market prices as at 31 December 2016.

Net assets at 31 December 2016 comprised the following:

	£m	% net assets
Unquoted Investments	41.9	75.2
Quoted Investments	13.3	23.9
Cash and other net assets	0.5	0.9
	55.7	100.0

Investment Update

Largest 10 Investments – 31 December 2016	**% of NAV**
Polar Acquisition Limited	37.9%
Bilboes Gold Limited	13.6%
Ivanhoe Mines Limited	11.4%
Metals Exploration Plc	10.0%
Cemos Group plc	6.8%
Black Pearl Limited Partnership	5.1%
Ironstone Resources Limited	4.5%
Nussir ASA	3.5%
China Polymetallic Mining Company Limited	2.4%
Archipelago Metals Limited	2.4%
	97.6%
Other Investments	1.5%
Cash and other net assets	0.9%
	100%

Largest 10 Investments – 31 December 2015	**% of NAV**
Polar Silver Resources Ltd/Argentum	26.2%
Black Pearl Limited Partnership	18.5%
Metals Exploration Plc	11.0%
Bilboes Gold Limited	9.4%
Cemos Group plc	9.1%
Ivanhoe Mines Limited	5.4%
Ironstone Resources Limited	5.1%
Gobi Coal & Energy Limited	3.7%
China Polymetallic Mining Company Limited	3.5%
Archipelago Metals Limited	2.7%
	94.6%
Other Investments	4.1%
Cash and other net assets	1.3%
	100%

INVESTMENT MANAGER'S REPORT (CONTINUED)
For the year ended 31 December 2016

Investment Update

At the year end, the Company continued to be fully invested, holding 19 investments of which the top 10 holdings comprised 97.6% of the portfolio by value. The portfolio is well diversified both in terms of commodity and geographical location of the projects. In terms of commodity the portfolio is concentrated on the large liquid markets of silver, gold, iron ore, coal, copper, platinum group metals and nickel. Its projects are located in Canada, China, Democratic Republic of Congo, Indonesia, Madagascar, Mongolia, Morocco, Norway, the Philippines, Republic of Congo, Russia, South Africa, Vietnam and Zimbabwe.

During 2016, the mining market started its long awaited recovery. Gold stocks were particularly strong in the first half of the year with the FTSE Gold Mines Index up 133.7% in Sterling terms and although there was some correction in the second half, the FTSE Gold Mines Index still finished up 90.5% on the year in Sterling terms. Other major commodities in which the Company is invested also had strong recoveries in the second half of 2016 with iron ore up 81%, coking coal up 174% and copper up 17% (all percentages calculated in US Dollar terms).

One of the major focuses of 2016 has been the reorganisation of the structure of the Company's investment in the Tier 1 Prognoz silver project, 444km north of Yakutsk in Russia. At the beginning of the year, the majority of the Company's investment in Prognoz was in the form of convertible loans to Polar Silver Resources Limited ("Polar Silver") and its wholly owned subsidiary Argentum, which in turn holds a 50% interest in Prognoz.

The support of the Company's shareholders in January 2016, giving the Company authority to increase its interest in Polar Silver up to 35% of the NAV of the Company, allowed it to negotiate a reorganisation of the Polar Silver group which included the conversion of all loans into equity and the acquisition of the interests of certain debt and equity holders by the Company. The result of this reorganisation, concluded in December 2016, was that the Company held 64% of the equity of Polar Acquisition Limited ("PAL"), a specially formed holding company which at the year-end owned 100% of Polar Silver.

Shortly after the year-end Polymetal International plc ("Polymetal"), the London listed Russian gold and silver producer, acquired a 10% interest in Polar Silver and committed to undertake and fund the feasibility study on Prognoz over the next two years budgeted at up to US$20 million. Upon completion of the technical study and the reserve estimate, Polymetal has the option to acquire the remainder of Polar Silver for a consideration dependent, among other things, on prevailing spot silver prices at the time and the size of estimated reserves. The investment by Polymetal not only supports the Company's assessment of the Prognoz project but also introduces a strong local partner to progress the project and provides the Company with an ultimate route for the realisation of its investment. The reorganisation of the Company's interest in Prognoz resulted in the Company revaluing its equity interest in PAL to US$26 (£21) million, a 54% increase over the value of its convertible loans. This resulted in PAL constituting 37.9% of the Company's NAV at the year- end although it is the intention to reduce this weighting over time. On 3 April 2017 the Company announced that PAL has agreed to issue a US$4.75 (£3.85) million zero coupon convertible loan to discretionary clients of Sprott Inc, the Toronto listed fund management company, which is convertible into 10% of PAL at any time up to 31 March 2020.

Bilboes Gold Limited's projects continued to perform well in 2016. Its oxide heap leach operations in Matabeleland, Zimbabwe produced 11,932 ounces for a trading profit of US$4 (£3.2) million during 2016. The main interest however is in the development of the underlying sulphide resources where the pre-feasibility study into a mine producing 200,000 ounces of gold per annum is progressing well and is due for completion in the second quarter 2017. The increase in valuations of gold stocks during 2016 led to an increase in the carrying value of 72% during the year.

The best performer in the Company's portfolio was Ivanhoe Mines Limited ("Ivanhoe") whose share price on the Toronto Stock Exchange more than quadrupled during the year. All three of its projects progressed well: the Kamoa copper project and Kipushi zinc mine both in the Democratic Republic of Congo, together with the Platreef platinum group metal/nickel project in South Africa. However the standout achievement was the additional discovery of the Kakula deposit at Kamoa where the initial resource statement estimated Indicated Resources totalling 192 million tonnes at a grade of 3.45% copper, containing 14.6 billion pounds of copper at a 1% copper cut-off. Inferred Resources totalled 101 million tonnes at a grade of 2.74% copper, containing 6.1 billion pounds of copper at a 1% copper cut-off. This led to a positive preliminary economic assessment ("PEA") for a mine at Kakula-Kamoa producing 216,000 tonnes of copper per annum with an after-tax net present value at an 8% discount rate of US$3.7 (£3) billion and an internal rate of return of 38%. Ivanhoe is undertaking further studies to more than double the production rate.

INVESTMENT MANAGER'S REPORT (CONTINUED)
For the year ended 31 December 2016

During 2016, Metals Exploration plc ("Metals Ex") continued to suffer the effects of the super typhoon that hit its Runruno gold project in the Philippines, towards the end of 2015. Its mining licence was suspended until April 2016 while it rehabilitated the mine and then because of the production delay it was unable to meet its scheduled debt repayments. During the year, the Company and the other major shareholders funded Metals Ex's working capital while it commissioned the mine and negotiated with its banks to reschedule the project debt. In November 2016, Metals Ex sold its first gold from Runruno and in December 2016 it concluded the debt rescheduling.

Elsewhere in the portfolio, operationally it was a quiet year for Gobi Coal and Energy, Ironstone and Archipelago Resources. Black Pearl continued to be adversely affected by the Indonesian Government 2014 ban on the export of unrefined raw materials. As a consequence of these new regulations Black Pearl had to revise its strategy and is negotiating with a Chinese consortium looking at using Black Pearl's operations as the base load for an iron/steel smelter in Indonesia. These negotiations have been protracted and due to an increase in the risk of the Company not receiving the amounts due to it under its convertible bonds, it was decided to make a 68% write down to the carrying value of Black Pearl at 30 June 2016. However, the increase in the prices of steel minerals in the second half of 2016 should augur well for a more positive 2017 for all four of these companies.

In September 2016, the Company acquired a further 5.4% interest in Nussir from three institutional investors in Nussir in return for shares in the Company. Since then, Nussir has completed a positive pre-feasibility study on its Nussir and Ulveryggen copper project in Kvalsund and Norway in December 2016.

Further details of each of these investments and the Company's other significant holdings are provided below.

Description of Largest Investments at 31 December 2016

Polar Acquisition Limited ("PAL")
PAL is a private company which holds a 50% indirect interest in the Prognoz silver project ("Prognoz"), 444km north of Yakutsk in Russia.

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 of silver and Inferred Resources of 9.64 million tonnes of ore grading 473 g/t silver containing 147 million ounces of silver at Prognoz. A NI 43-101 compliant preliminary economic assessment (PEA) by Micon envisages a mine producing an average of 13 million ounces of silver per annum over a 16 year mine life.

Bilboes Gold Limited ("Bilboes")
Bilboes is a private Zimbabwean based gold mining company which owns four previously producing oxide mines in Zimbabwe. The oxide mines which were restarted in 2013 produced 11,932 ounces of gold in 2016.

In addition Bilboes has JORC compliant Indicated Mineral Resources of 33.3 million tonnes grading 2.41 g/t gold in the underlying sulphide mineralisation and Inferred Mineral Resource of 10.6 million tonnes grading 2.55 g/t gold. Contained gold in the combined Indicated and Inferred sulphide resources totals 3,454,000 ounces. A pre-feasibility study into a mine producing up to 200,000 ounces per annum, initially from open pit, is due for completion in the first half of 2017.

Ivanhoe Mines Limited ("Ivanhoe")
Ivanhoe is a company listed on the Toronto Stock Exchange which holds the Kamoa copper project (39.6% owned) and Kipushi zinc mine (68% owned) both in the Democratic Republic of Congo ("DRC") and the Platreef nickel, platinum, palladium, copper and gold project (64% owned) in South Africa.

The Kamoa Project is located in the Kolwezi District of Katanga Province, the DRC's copper mining hub. A NI 43-101 compliant report, using a 1% copper grade cut-off, estimated Indicated Mineral Resources at 944 million tonnes grading 2.83% copper containing 26.7 million tonnes of copper. The resource statement also included 6.6 million tonnes of copper in Inferred Mineral Resources providing combined contained copper of 33.3 million tonnes, establishing Kamoa as the largest copper discovery in Africa and one of the largest in the world.

The Platreef Project is located on the Northern Limb of the PGM-bearing Bushveld Complex in South Africa. NI 43-101 compliant Indicated Mineral Resources are estimated to contain 42.0 million ounces of 4PE (platinum, palladium, gold and rhodium), with an additional 52.8 million ounces in Inferred Mineral Resources using a 2g/t cut-off grade.

INVESTMENT MANAGER'S REPORT (CONTINUED)
For the year ended 31 December 2016

The Kipushi zinc/polymetallic mine in the DRC previously produced 60 million tonnes of ore at 11% zinc and 6% copper together with 120 tonnes of germanium from 1925-1993. Measured and Indicated Mineral Resources total 10.2 million tonnes grading 34.9% zinc containing 3.55 million tonnes of Zinc.

Metals Exploration plc ("Metals Exploration")
Metals Exploration is an AIM listed company which owns the Runruno gold mine in the Philippines. A JORC compliant report estimated mineral resources of 1.39 million ounces of gold, and 25.6 million pounds of molybdenum with 1,050,000oz gold reporting to the Measured and Indicated categories and 900,000oz gold within the Mining Proven & Probable Reserve category. First gold from the Runruno mine was sold in November 2016 and the mine is ramping up towards full production of approximately 100,000 ounces of gold per annum.

Cemos Group plc (''Cemos'') (formerly known as Global Oil Shale Group Limited)
Cemos is a private cement and oil shale explorer and developer whose key asset is the Tarfaya project in Morocco containing JORC compliant measured resources of 308 million barrels of shale oil. Cemos is investigating the feasibility of constructing a cement grinding plant at Tarfaya. Phase II would be the construction of a plant utilising the hydrocarbons from the oil shale as fuel for the cement process. On a further recovery of the oil price, Cemos retains the option to produce hyrdrocarbons from the shale as the primary process.

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 Company's investment is in the form of a limited partnership interest in Black Pearl. Black Pearl holds an exchangeable loan note issued by a holding company of the mine group, Rui Tong Limited. 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 10% Fe. Due to mining regulations brought into force in January 2014, the future for the project requires the further beneficiation of the product within Indonesia. Negotiations are ongoing for the Black Pearl project to form the base production for an integrated steel production facility.

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 Indicated Resources of 557.7 million tonnes at 33.3% iron and 0.2% vanadium and an Inferred Resource of 94.7 million tonnes at 34.1% iron. In conjunction with pyrotechnology experts Hatch of Toronto, Ironstone is developing a proprietary metallurgical process to refine the ore into direct reduced iron. Once demonstrated commercially, this process could be applied not only to Clear Hills, but also to other significant iron ore deposits globally.

Nussir ASA ("Nussir")
Nussir is a Norwegian private company whose key asset is the Nussir and Ulveryggen copper project in Northern Norway. A JORC compliant report estimated Indicated Mineral Resources at 21.3 million tonnes grading 1.1% copper containing 2243,000 tonnes of copper. The resource statement also included 574,000 million tonnes of copper in Inferred Mineral Resources providing combined contained copper of 817,000 tonnes. A pre-feasibility study into a mine producing up to 20,000 tonnes of copper per annum was completed at the end of 2016.

China Polymetallic Mining Limited ("CPM")
CPM is a Chinese mining company listed on the Hong Kong Stock Exchange. CPM has a number of development projects in the Yunan province of China. CPM's largest mine, the Shizishan Mine has JORC compliant resources totalling 8.1 million tonnes grading 256g/t silver, 9.4% lead and 6.0% zinc for contained metal of 72 million ounces silver, 809,000 tonnes lead and 508,000 tonnes zinc.

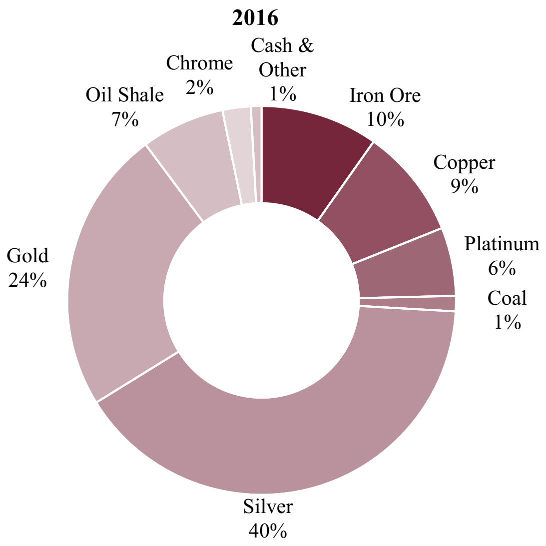
Archipelago Metals Limited ("Archipelago")
Archipelago is an Australian private company which holds a 50% joint venture interest in the Co Dinh chromite project in northern Vietnam which holds estimated JORC compliant resources containing 3.9 million tonnes of chromite.

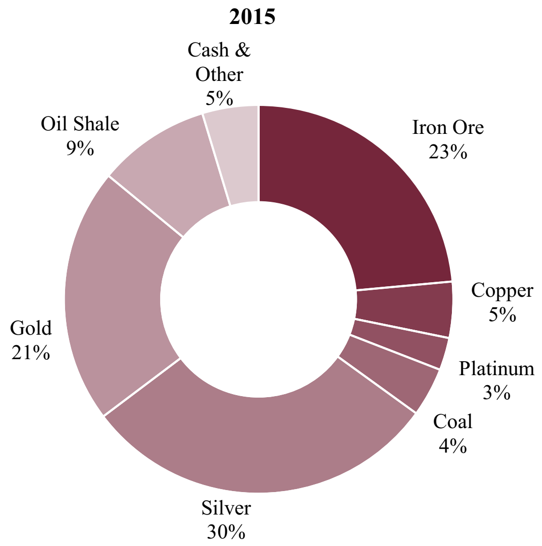
Gobi Coal & Energy Limited ("Gobi")
Gobi is an emerging coking coal producer based in Mongolia, which owns 100% of three open-cut coal development projects in south western Mongolia. Gobi's projects contain approximately 322 million tonnes of JORC resources and include more than 500,000 hectares of tenements.

Baker Steel Capital Managers LLP
Investment Manager

PORTFOLIO ANALYSIS
For the year ended 31 December 2016

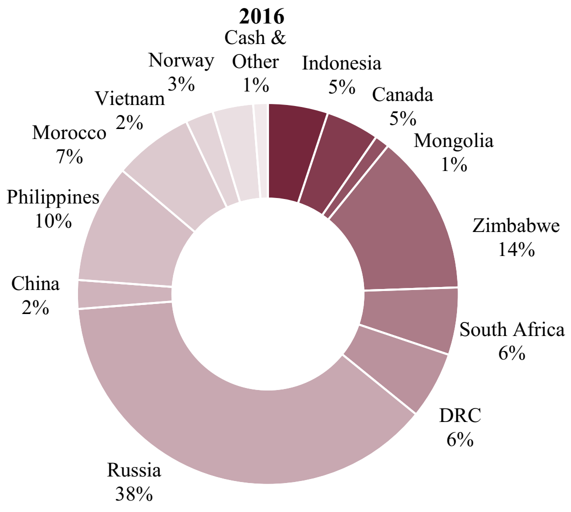
Commodity Exposure

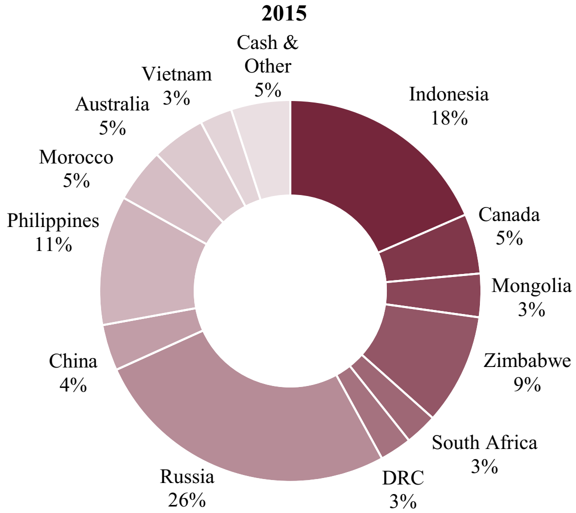




Source: Baker Steel internal. Data at 31 December

Geographical Exposure





Source: Baker Steel internal. Data at 31 December

STRATEGIC REPORT

Company Structure

The Company is a closed-ended investment company registered with the Guernsey Financial Services Commission (the "Commission" or "GFSC") under the Registered Collective Investment Scheme Rules 2015 (previously 2008). The Company is not authorised or regulated as a collective investment scheme by the Financial Conduct Authority. The Company is subject to the Listing Rules and the Disclosure and Transparency Rules of the UK Listing Authority. The Articles of the Company contain provisions as to the life of the Company. At the Annual General Meeting ("AGM") falling in the year 2018 and at each third AGM convened by the Board thereafter, the Board shall propose a special resolution to discontinue (the Company) which if passed will require the Directors, within 6 months of the passing of the special resolution, to submit proposals to shareholders that will provide shareholders with an opportunity to realise the value of their Ordinary Shares.

Role and Composition of the Board

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

Investment activities are predominantly monitored through quarterly Board meetings at which the Board receives detailed reports and updates from the Investment Manager, who attends each Board meeting. Services from other key service providers are reviewed as appropriate.

In January 2015, recognising the discount to NAV at which the Company's Ordinary Shares traded, the Board introduced a policy whereby, beginning from the publication of the Company's NAV as at 31 July 2015, the Company would on a monthly basis, following publication of its monthly NAV, calculate the aggregate net cash proceeds of disposals of investments over the immediately preceding six month period. Subject to meeting solvency requirements, if the Ordinary Shares were trading at a discount in excess of 15 per cent to their NAV, the Board would allocate at least 50 per cent of such proceeds (less the aggregate value of any Ordinary Shares already bought back during the six month period) to buy back its own Ordinary Shares. Revisions to the policy are discussed in the Chairman's Statement on page 2.

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

As at 31 December 2016, the Board comprised four Directors. The Directors recognise the benefits of diversity in terms of gender and ethnicity and will take these into account when considering future appointments to the Board. However their principal criteria will remain skills and experience with the objective of maximising shareholder value.

Investment Management

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

Baker Steel Capital Managers LLP acts as Investment Manager of the Company and was incorporated in England and Wales on 19 December 2001. It is authorised and regulated by the Financial Conduct Authority in the United Kingdom. The Investment Manager is a limited liability partnership with registration number OC301191 and is an affiliate of the Manager. The Investment Manager has been appointed by the Company to act as its Alternative Investment Fund Manager ("AIFM") and is responsible for the portfolio management and risk management of the Company. The Investment Manager manages the Company in accordance with the Alternative Investment Fund Management Directives ("AIFMD"). The Investment Manager is a specialist natural resources asset management and advisory firm operating from its head office in London and its branch office in Sydney. It has an experienced team of fund managers covering the precious metals, base metals and minerals sectors worldwide, both in relation to commodity equities and the commodities themselves.

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

STRATEGIC REPORT (CONTINUED)

Investment Objective

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

Investment Policy

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

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

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

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

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

Borrowing and Leverage

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

During the year, no leverage was used by the Company.

Investment Restrictions

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

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

The actual percentage of the Company's gross assets invested in listed and unlisted equities and equity-related securities and cash and cash-like holdings and the number of positions held may fall outside these ranges from time to time. 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.

STRATEGIC REPORT (CONTINUED)

Investment Restrictions (continued)

The investment policy has the following limits:

- Save in respect of cash and cash-like holdings awaiting investment, and except as set out below, the Company will invest or lend no more than 20 per cent in aggregate of the value of its gross assets in or to any one particular company or group of companies, as at the date of the relevant transaction.

  The Company's investment in Polar Silver Resources Limited and/or any company within its group (the Polar Silver Group) may exceed the limit set out above provided that the Company will not invest or lend more than 35 per cent in aggregate of the value of its gross assets in the Polar Silver Group as at the date of the relevant transaction.

- No more than 10 per cent in aggregate of the value of the gross assets of the Company may be invested in other listed closed-ended investment funds, except for those which themselves have stated investment strategies to invest no more than 15 per cent of their gross assets in other listed closed-ended investment funds.

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

The Company will avoid (a) cross-financing between the businesses forming part of its investment portfolio and (b) the operation of common treasury functions 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.

In the event of any breach of the investment restrictions the Investment Manager would report the breach to the Board and shareholders would be informed of any corrective action required. No breaches of investment restrictions occurred during the year ended 31 December 2016.

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman’s Statement on page 2 and the Investment Manager’s Report on pages 3-7.

Principal risks and uncertainties

A summary of the principal risks and uncertainties faced by the Company is set out below. These have remained unchanged throughout the year.

Market and financial risks
Market risk arises from volatility in the prices of the Company’s underlying investments which, in view of the Company’s investment policy, are in turn particularly sensitive to commodity prices. Market risk represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board has set investment restrictions and guidelines to help mitigate this risk. These are monitored and reported on by the Investment Manager on a regular basis. Further details are disclosed in note 4 on pages 47 to 52.

The Company’s investment activities also expose it to a variety of financial risks including in particular foreign currency risk.

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

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Portfolio management and Performance risks (continued)

The Company invests in companies whose projects are located in emerging markets. In such countries governments can exercise substantial influence over the private sector and political risk can be a significant factor. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities markets and imposition of foreign exchange controls and investment restrictions. The Investment Manager and the Board take into account specific political risks when entering into an investment and seek to mitigate them by diversifying geographically. For the last few years the mining sector has been out of favour with investors although the beginnings of a recovery was seen in 2016 and the Company still trades at a significant discount to its NAV.

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

There is the risk that the market capitalisation of the Company (on which the Investment Manger's fee is calculated) falls to such extent that it will no longer be viable for the Investment Manager to provide the services that it currently provides.

Risk of a vote to wind-up the Company

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

The Board has conducted sensitivity tests of future income and expenditure and the ability to realise assets should assets fall in value by over 50% by 2018. The Board has concluded that, even in circumstances representing such further deterioration in markets, it can remain viable until the discontinuation vote and should there be a vote to continue, it can remain viable for at least two years beyond. To understand the requirements of the Company's major shareholders, the Investment Manager regularly liaises with the Company's broker and meets major shareholders. The Chairman is also available to meet with shareholders as required.

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

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council ("FRC") in September 2014 (the "UK Code"), the Directors have assessed the prospects of the Company over 3.5 years, being the period until the discontinuation vote at the AGM in 2018 and, if shareholders decide the Company should continue, two years beyond that. The Directors consider that this is an appropriate timeframe to assess the viability of the Company.

The Directors have considered each of the principal risks and uncertainties detailed above individually and collectively and have taken into account in particular the impact of the shareholder vote on the viability of the Company.

The Company has already seen pressures from the fall in commodity prices and a move by its share price to a discount to its NAV, which itself has fallen significantly, notwithstanding its partial recovery in 2016 and having fallen less than the Euromoney Global Mining Index over the life of the Company. These trends reflect the underlying failure of the world's major economies to recover strongly from the global financial crisis of 2007-8 and the subsequent slowing of growth of emerging markets, despite the unprecedented stimulus policies followed by governments of the major economies.

Notwithstanding this, it is a feature of closed-ended investment companies such as BSRT that the greatest risk to viability is that the investments lose value towards a point where the Board cannot ensure that assets continue to exceed liabilities or where expenses become excessive or cannot be met as they fall due.

STRATEGIC REPORT (CONTINUED)

Viability Statement (continued)

In the case of the Company, which has no gearing, the Board has conducted stress and sensitivity tests of future income and expenditure and the ability to realise assets, and has concluded that based on the listed assets held, even in circumstances representing a further deterioration in value in excess of 50% of net assets, the Company can remain viable over the period to the 2018 AGM and, if shareholders decide the Company should continue, two years beyond that. The key factor in this assessment is that currently the Company's greatest expense is the Investment Management fee which is calculated on the market capitalisation of the Company. Should net assets fall, market capitalisation would be expected to fall in line, such that the costs of the Company would also fall.

It is the view of the Directors that, having consulted with certain shareholders and barring a catastrophic further fall in the mining sector, there is currently no reason to suppose that the requisite majority of shareholders will vote to wind up the Company.

As a result the Board of Directors concludes that the Company is viable over the period of assessment.

Future Developments

The future performance of the Company depends upon the success of the Company's investment strategy and on investors' view of mining related investments as an asset class. Further comments on the outlook for the Company can be found in the Chairman's statement on page 2 and the Investment Manager's Report on pages 3 to 7.

Signed on behalf of the Board of Directors by:

Howard Myles　　Christopher Sherwell　　5 April 2017

BOARD OF DIRECTORS

The Board of Directors are presented below. Mr Sherwell was appointed on 9 March 2010; all other Directors were appointed on 12 March 2010. The Board's view 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. The Directors consider that their independence has not been impacted by their length of service.

Howard Myles (aged 67): 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.

Mr Myles is a member of the Company's Audit Committee.

Charles Hansard (aged 69): 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 67): 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. He is the founder of First Quantum Minerals Ltd and has been its President and a director since its incorporation.

Mr Newall is a member of the Company's Audit Committee.

Christopher Sherwell (aged 69): Christopher Sherwell has worked since 2004 as a senior Non-Executive Director based in Guernsey with roles in the offshore finance industry and is a director of a number of listed investment companies. 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.

Mr Sherwell is the Chairman of the Audit Committee of the Company.

DIRECTORS' REPORT
For the year ended 31 December 2016

The Directors of the Company present their seventh annual report and the audited financial statements for the year ended 31 December 2016.

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 2015 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.

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

Performance

In the year to 31 December 2016, the Company's NAV per Ordinary Share increased by 43.0% (2015: decrease of 25.4%). This compares with a rise in the Euromoney Global Mining 100 Index (capital return in Sterling terms) of 57.9% (2015: fall of 39.3%). A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 3 to 7.

The results for the year are shown in the Statement of Comprehensive Income on page 33 and 34 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 32.

Dividend and dividend policy

During the year ended 31 December 2015 the Board introduced a capital returns policy whereby, subject to applicable laws and regulations, it will allocate cash for distributions to shareholders. The amount to be distributed will be calculated following publication of the Company's audited financial statements for each year and will be no less than 15% of the aggregate net realised cash gains (after deducting losses) in that financial year. The Board will retain discretion for determining the most appropriate manner to make such distribution which may include share buybacks, tender offers and dividend payments. The Company realised an aggregate cash loss for the year ended 31 December 2016 and therefore no distribution will be made for the 2016 financial year under this policy.

Directors and their interests

The Directors of the Company who served during the year and subsequently to the date of this report were:

Howard Myles (Chairman)
Charles Hansard
Clive Newall
Christopher Sherwell

Biographical details of each of the Directors are presented on page 13.

Each of the Directors is considered to be independent in character and judgement, notwithstanding that they have each served on the Board since the inception of the Company.

The Directors' interests in the share capital of the Company were:

	Number of Ordinary Shares 2016	Number of Ordinary Shares 2015
Christopher Sherwell	96,821	96,821
Clive Newall	25,000	25,000

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

Authorised Share Capital

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

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

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, March 2011, March 2012, June 2012 and September 2012, a total of 119,444 Ordinary Shares were issued. The final exercise date for the Subscription Shares was 2 April 2013. No Subscription Shares were exercised at this time and all residual Subscription Shares were subsequently cancelled.

Following in specie transactions on 28 June 2014 and 1 July 2014, a total of 5,561,243 Ordinary Shares were issued.

Following in specie transactions on 25 February 2015 and 4 March 2015, 40,196,071 Ordinary Shares were issued. In addition the Company issued a total of 3,368,488 Ordinary Shares on 4 March 2015 Shares under an open offer.

Following an in specie transaction on 22 September 2016, 1,561,645 Ordinary Shares were issued.

Details of these transactions are included within Note 10 of these financial statements.

On 14 August 2015 and 20 August 2015 the Company bought back 200,000 and 500,000 Ordinary Shares respectively, both at an average price of 20 pence per share. The repurchased Ordinary Shares are held in Treasury.

Following the transactions noted above the Company has a total of 116,129,980 Ordinary and 10,000 Management Shares in issue as at 31 December 2016, of which 700,000 Ordinary Shares are held in Treasury.

Significant Shareholdings

As at 31 December 2016, the Company had received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% of more of the voting rights attaching to the Company's issued share capital.

Ordinary Shareholder	Number of Ordinary Shares	% of Total Shares in issue
Vidacos Nominees Limited*	24,096	20.62%
Brewin Nominees Limited*	16,361	14.00%
State Street Nominees Limited*	16,000	13.70%
Harewood Nominees Limited*	14,171	12.13%
Bank of New York Nominees Limited*	12,293	10.52%
Nortrust Nominees Limited*	9,616	8.23%

* Custodian accounts held on behalf of individual shareholders, the majority of whom retained the associated voting rights. These holdings are aggregated.

The Manager, Baker Steel Capital Managers (Cayman) Limited had an interest in 504,832 Ordinary Shares as at 31 December 2015. This interest was divested during the year ended 31 December 2016. The Investment Manager, Baker Steel Capital Managers LLP had an interest in 10,000 Management Ordinary Shares at 31 December 2016 (31 December 2015: 10,000).

Baker Steel Global Funds SICAV – Precious Metals Fund ("Precious Metals Fund") had an interest in 7,669,609 Ordinary Shares in the Company at 31 December 2016 (2015: 7,669,609). These shares are held in a custodian account with Citibank N.A. London. Precious Metals Fund shares a common Investment Manager with the Company.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

Statement of Directors' Responsibilities

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

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

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the 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
- the Directors confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Auditor Information

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

Going Concern

The Directors 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 at least 12 months following the signing of these financial statements. As at 31 December 2016, approximately 24.7% of the Company's assets were represented by cash and unrestricted listed and quoted investments. 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.

Corporate Governance Compliance

The Board has considered the principles and recommendations set out in the UK Corporate Governance Code (September 2014) (the "UK Code") issued by the Financial Reporting Council. (the "FRC"). The UK Code is available in the FRC's website, www.frc.org.uk and the Company has made its corporate governance practices publicly available and these can be found at www.bakersteelresourcestrust.com.

The Board has noted the publication of a further revised UK Corporate Governance Code in April 2016 which applies to financial years beginning on or after 17 June 2016. The latest update of the UK Code has been driven by the implementation of the EUs Audit Regulation and Directive and its impact on audit committees and the Board is considering the Company's framework in light of the new provisions.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

Corporate Governance Compliance (continued)

Throughout the year ended 31 December 2016, the Company has complied with the recommendations of the UK Code and Guernsey Financial Services Code of Corporate Governance ("GFSC Code"), except as set out below.

The UK Code includes provisions relating to:

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

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

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

Operation and composition of the Board

- Composition

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

- Independence

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

- Senior Independent Director

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

- Appointment and re-election

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

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

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

- 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.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

Operation and composition of the Board (continued)

- Performance appraisal

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

- Investment Manager assessment

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

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

- Board meetings

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

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

	Board Meetings		Audit Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Howard Myles	4	4	5	5	2	2
Christopher Sherwell	4	4	5	5	2	2
Charles Hansard	4	3	5	N/A	2	2
Clive Newall	4	3	5	4	2	0

  In addition to formal meetings, all Directors contribute to a significant ad hoc exchange of views with the Investment Manager on specific matters, in particular in relation to developments in the portfolio.

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

  For the year ended 31 December 2016 the total remuneration of the Directors was £115,000 (2015: £133,037), with £28,750 (2015: £28,750) payable at year end.

- Relations with Shareholders

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

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

Committees

The Committees of the Board have formal Terms of Reference which are available on the Company's webpage http://www.bakersteelresourcestrust.com/corporate_governance.

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

  Christopher Sherwell is Chairman of 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 independent and 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. The Directors recognise the benefits of diversity in terms of gender and ethnicity and will take these into account when considering future appointments to the Board. However their principal criteria will remain skills and experience with the objective of maximising shareholder value.

  The remuneration for the non- executive directors is capped by shareholder resolution at the AGM. There is no differential for payments of the non-executive directors except that the Chairman of the Board and the Chairman of the Audit Committee each receive additional payments for these roles.

Internal Controls

The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited. HSBC Institutional Trust Services (Ireland) Limited resigned as Safekeeping and Monitoring Agent with effect from 1 November 2016. Following discussions with the Manager, the Safekeeping and Monitoring Agent agreement was reinstated, with HSBC Institutional Trust Services (Ireland) DAC, on 28 February 2017. Other administration services remained unchanged.

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

Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator and Investment Manager.

The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Manager and reviewed regularly by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by its nature can only provide reasonable and not absolute assurance against misstatement and loss.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2016

Internal Controls (continued)

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board and is in accordance with the Internal Controls: Revised Guidance for Directors on the Combined Code issued by the FRC.

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

Internal Audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to review whether a function equivalent to internal audit is needed.

Subsequent Events

On 3 April 2017, the Company announced that Polar Acquisition Limited has agreed to issue a US$4.75 million convertible loan to discretionary clients of Sprott Inc which is convertible at any time up to 31 March 2020 by the holder into a 10% equity interest in PAL.

There were no other events subsequent to the year end that materially impacted on the Company.

Signed on behalf of the Board of Directors by:

Howard Myles   Christopher Sherwell   5 April 2017

REPORT OF THE AUDIT COMMITTEE
For the year ended 31 December 2016

The function of the Audit Committee as described in its Terms of Reference is to ensure that the Company maintains high standards of integrity in its financial reporting and internal controls.

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

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

In the event of any deficiencies or breaches reported, the Board would consider the actions required to remedy and prevent significant failings or weaknesses.

Fraud, Bribery and Corruption

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

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

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

Primary Areas of Judgement

As part of its review of the Company's financial statements, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the financial statements and the mitigating controls to address these risks. The Audit Committee has determined that the key risk of misstatement is the valuation of investments for which there is no readily observable market price. Such investments are recorded at fair value which is the price that would be expected to be received to sell an asset in an orderly transaction between market participants at the measurement date. Significant judgements are required in respect of the valuation of the Company's investments for which there is no observable market price. The Company bases most of its valuations on the most recent observable transactions for each investment and other comparable companies and adjusts these for changes in company specific performance and comparable company performance for which there is observable data. This performance information, by its nature, takes into account market expectations of future commodity prices. Further information on the Company's methodologies is provided in Note 3 to the financial statements.

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

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

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
For the year ended 31 December 2016

Primary areas of judgement (continued)

Through its meetings during the year ended 31 December 2016 and its review of the Company's Annual Report and Audited Financial Statements, the Audit Committee considered the following significant risks as well as the principal risks and uncertainties described on pages 10 and 11.

Risk Considered	How addressed
The accuracy of the Company's Annual Report and Financial Statements	Review of the Annual Report and Audited Financial Statements, discussions with the external auditor and meetings with the auditor to understand the audit approach and findings.
Adequacy of the Company's accounting and internal controls systems	Consideration of the Company's risk matrix, taking account of the relevant risks, the potential impact to the Company and the mitigating controls in place.
Valuation of the Company's investments, in particular the valuation of unquoted investments	Reports received from the Investment Manager providing background to the investment valuations. The Investment Manager reporting is then supported by the independent auditor's review of the investment valuations.
The effectiveness and independence of the external audit process	The Audit Committee has regular dialogue with the external auditor both before and during the audit process. The auditor presents to the Audit Committee at both the engagement and audit review stage, and confirms its independence at each stage. The Audit Committee receives feedback from the Investment Manager on the audit process and any concerns or challenges faced.

The Audit Committee also provides a forum through which the Company's auditor reports to the Board. The Board, not the Audit Committee, approves all non-audit work carried out by the auditor in advance and the fees paid to the auditor in this respect.

External Audit

The Company's external auditor is Ernst & Young LLP ("EY"). EY has been the Company's auditor since its incorporation in 2010.

During 2016, the Audit Committee reviewed the services provided by the auditor, and the related fees, and concluded that it was not necessary to conduct a competitive tender at that stage. However, the Audit Committee does keep this matter under consideration and is cognisant of the Corporate Governance provisions relating to audit tenure.

The audit fees during the year were as follows:

		2016	2015
Audit Fees			
	Audit Fees	£45,400	£44,500
	UK Corporate Governance Code	2,500	5,000
Non audit Fees			
	Agreed Upon Procedures	7,550	7,400
Total Fees		55,450	56,900

The table below reconciles the audit fees per the engagement letter to the figures presented in the Statement of Comprehensive Income:

		2016	2015
Per engagement letter		£55,450	£56,900
	Additional fees	12,500	-
	Over/(under) accrual during the year	27,817	(12,797)
Per Statement of Comprehensive Income		(95,767)	(44,103)
Difference		-	-

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
For the year ended 31 December 2016

Primary areas of judgement (continued)

The external auditor provides an audit planning report in advance of the annual audit, a report on the annual audit and an Agreed Upon Procedures report in accordance with ISRS 4400 for the half year financial statements. The Audit Committee has the opportunity to question and challenge the auditor in respect of each of these reports. Based on levels of interaction with the auditor, and the assessment of auditor reporting the Audit Committee is satisfied that the reappointment of the external auditor should be proposed at the Annual General Meeting of the Company.

The Audit Committee confirms that it has reviewed the non-audit services provided by EY and received confirmation from EY that due to the type of services provided there was no risk or any unmanaged threat to its independence and is satisfied that they do not compromise EY's independence or objectivity. The Audit Committee is also satisfied that fees for non-audit services are proportionate in relation to the fees for audit services. In conclusion, the Audit Committee is satisfied that EY remains independent. The Audit Committee has assessed the effectiveness of the external auditors, considering the audit planning, adherence to audit standards, competence of the audit team and feedback from the Investment Manager and concluded that it is appropriate to reappoint EY as external auditors.

Internal Audit

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

Risk Management and Internal Controls

The Board is responsible for the Company's system of internal controls and risk management. The Audit Committee has been delegated the responsibility for reviewing the ongoing effectiveness of the Company's internal controls and it discharges its duties in this area by assessing the nature and extent of the significant risks it is willing to accept in achieving the Company's objectives and ensuring that effective systems of risk identification, assessment and mitigation have been implemented.

The Company delegates its day to day operations to third parties and therefore relies on the internal control arrangements of its outsourced service providers in respect of a number of key controls. It is the Audit Committee's responsibility to ensure that suitable internal control systems are implemented by the Company's third party service providers and to review the effectiveness of these controls on an ongoing basis.

The key risks faced by the Company, and the controls in place to mitigate such risks, are set out in a Risk Matrix which is regularly reviewed by the Board. The Risk Matrix identifies the likelihood and severity of the impact of each identified risk factor and the mitigating controls in place to minimise the probability of such risks occurring. The Strategic Report outlines the principal risks and uncertainties affecting the Company.

By their nature, the control mechanisms can only provide reasonable rather than absolute assurance against misstatement or loss. The Board seeks continual improvement in its internal control mechanisms. The Audit Committee is not aware of any significant failings or weaknesses in the Company's internal controls in the year under review.

Financial Reporting

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

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
For the year ended 31 December 2016

Going Concern

The Audit Committee has made an assessment of the Company's ability to continue as a going concern. Particular regard has been given to the fact that the Company holds listed securities that can if necessary be realised to meet liabilities as they become due; as at 31 December 2016, approximately 24.7% of the Company's assets were represented by cash and unrestricted quoted investments.

On the basis of its review, the Audit Committee is satisfied that the Company has the resources to continue in business for at least 12 months from the date of signing these financial statements and therefore is of the opinion that the financial statements should be prepared on a going concern basis and has accordingly recommended this opinion to the Board.

Christopher Sherwell
Audit Committee Chairman
5 April 2017

PORTFOLIO STATEMENT
AT 31 DECEMBER 2016

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
	<u>**Listed equity shares**</u>		
	Canadian Dollars		
658,000	Buffalo Coal Corporation	5,950	0.01
4,138,001	Ivanhoe Mines Limited	6,336,535	11.40
	Canadian Dollars Total	**6,342,485**	**11.41**
	Great Britain Pounds		
111,440,325	Metals Exploration Plc	5,572,016	10.02
	Great Britain Pounds Total	**5,572,016**	**10.02**
	Hong Kong Dollars		
55,246,318	China Polymetallic Mining Company Limited (CPM)	1,338,478	2.41
	Hong Kong Dollars Total	**1,338,478**	**2.41**
	Total investment in listed equity shares	**13,252,979**	**23.84**
	<u>**Debt instruments**</u>		
	Canadian Dollars		
250,500	Ironstone Resources Limited Loan Note	256,872	0.46
	Canadian Dollars Total	**256,872**	**0.46**
	Euro		
125,000	Cemos Group Plc Loan Note	109,532	0.20
	Euro Total	**109,532**	**0.20**
	Great Britain Pounds		
50,000	Cemos Group Plc Loan Note	50,000	0.09
	Great Britain Pounds Total	**50,000**	**0.09**
	United States Dollars		
440,000	Bilboes Holdings Convertible Loan Note	605,714	1.09
220,000	Bilboes Holdings Loan Note	181,092	0.32
7,000,000	Black Pearl Limited Partnership Loan Note	2,834,238	5.10
	United States Dollars Total	**3,621,044**	**6.51**
	Total investments in debt instruments	**4,037,448**	**7.26**

PORTFOLIO STATEMENT (CONTINUED)
AT 31 DECEMBER 2016

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
	Unlisted equity shares and warrants		
	Australian Dollars		
1,070,162	Burrabulla Corporation Limited	-	-
16,000,000	Indian Pacific Resources Limited	93,689	0.17
	Australian Dollars Total	**93,689**	**0.17**
	Canadian Dollars		
13,083,936	Ironstone Resources Limited	2,248,075	4.04
606,667	Ironstone Resources Limited Warrants 31/07/2017	2,162	-
143,143	Ironstone Resources Limited Warrants 22/02/2018	3,141	0.01
3,531,000	MagIndustries Corporation	-	-
500,000	Salmon River Resources Limited	-	-
	Canadian Dollars Total	**2,253,378**	**4.05**
	Great Britain Pounds		
1,594,646	Celadon Mining Limited	15,947	0.03
24,004,167	Cemos Group plc (formerly Global Oil Shale Group Limited)	3,600,625	6.47
	Great Britain Pounds Total	**3,616,572**	**6.50**
	Norwegian Krone		
11,027,114	Nussir ASA	1,919,800	3.45
	Norwegian Krone Total	**1,919,800**	**3.45**
	United States Dollars		
16,151,567	Archipelago Metals Limited	1,307,925	2.35
451,445	Bilboes Gold Limited	6,777,707	12.19
4,244,550	Gobi Coal & Energy Limited	687,432	1.24
1,000,000	Midway Resources International	101,223	0.18
18,825	Polar Acquisition Limited	21,067,414	37.88
	United States Dollars Total	**29,941,701**	**53.84**
	Total Unlisted equity shares and warrants	**37,825,140**	**68.01**
	Financial assets held at fair value through profit or loss	**55,115,567**	**99.11**
	Other Assets & Liabilities	**492,223**	**0.89**
	Total Equity	**55,607,790**	**100.00**

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

Our opinion on the financial statements

In our opinion:

- Baker Steel Resources Trust Limited's (the "Company") financial statements (the "financial statements") give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"); and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

What we have audited

We have audited the financial statements of Baker Steel Resources Trust Limited for the year ended 31 December 2016, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year ended 31 December 2016;
- the statement of changes in equity for the year ended 31 December 2016;
- the statement of cash flows for the year ended 31 December 2016; and
- related notes 1 to 16 to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS.

Overview of our audit approach

Risk of material misstatement	• Valuation of unquoted investments.
Audit scope	• We performed an audit of the financial statements of the Company for the year ended 31 December 2016.
Materiality	• Overall materiality of £1.1 million (2015: £767k), which represents 2% (2015: 2%) of net asset value.

Our assessment of risk of material misstatement

We identified the risk of material misstatement described below as that which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing this risk, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on this individual area.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
For the year ended 31 December 2016

Risk	Our response to the risk	What we concluded to the Audit Committee
Valuation of unquoted investments (2016:£41,862,588;2015:£29,831,582), including unrealised gains/(losses) (2016:£10,072,177; 2015: £6,657,970) Refer to the Audit Committee Report (page 21); Accounting policies in Note 2 (page 37); and Note 3 to the Financial Statements. The majority (76%: 2016, 79%: 2015) of the carrying value of investments relate to the Company's holdings in unquoted investments, which are valued using different valuation techniques, as explained in Note 3 (pages 41 to 46). The valuation is subjective, with a high level of judgement and estimation linked to the determination of the fair values with limited market information available. As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model being used. The valuation of the unquoted investments is the key driver of the Company's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders.	• We documented our understanding of the processes, policies and methodologies used by management for valuing unquoted investments held by the Company and performed walkthrough tests to confirm our understanding of the systems and controls implemented. • We performed the following substantive investment valuation procedures on a sample of unquoted investments held by the Company: o agreed the valuation per the financial statements to the models used by management; o agreed the inputs to the models to independent sources and evaluating whether all key terms of the unquoted investments had been considered in the application of the models; and o tested the mathematical accuracy of the models used. • We engaged our internal valuation specialists to: o assist us to determine whether the methodologies used to value a sample of unquoted investments were consistent with methods ordinarily applied by market participants for these types of unquoted investments; and o use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs by reference to comparable transactions, and independently compiled databases/indices.	The primary valuation techniques and inputs used by the Company are not unreasonable for the valuation of unquoted investments. The aggregate values obtained from these techniques lie within the reasonable range of expected outcomes. No material misstatements were identified in the valuation of unquoted investments held by the Company, and the associated realised and unrealised gains/losses.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
For the year ended 31 December 2016

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

This is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.1 million (2015: £767k), which is 2% (2015: 2%) of net asset value.

It was considered inappropriate to determine materiality based on Company profit before tax as the primary focus of the Company is the overall performance of investments held, which includes a significant asset revaluation component. In addition, profit is not a key metric reported upon by the Company, with the ability to make dividend payments not limited by the profitability of the Company in any particular period.

We believe that net asset value provides us with an appropriate basis for audit materiality as net asset value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Company.

During the course of our audit, we reassessed initial materiality and noted no factors leading us to amend materiality levels from those originally determined at the audit planning stage.

Performance materiality

This refers to the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2015: 50%) of our planning materiality, namely £550k (2015: £383k). We have set performance materiality at this percentage, because in the prior year we have identified audit differences which result in a higher risk of misstatements in the current year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £55k (2015: £38k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
For the year ended 31 December 2016

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, 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 and express an opinion on 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.

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.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies (Guernsey) Law 2008 reporting	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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • The directors' statement in relation to going concern set out on page 16; and longer-term viability, set out on pages 11 and 12; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
For the year ended 31 December 2016

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

David Robert John Moore, ACA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands

6 April 2017

Notes:

1. The maintenance and integrity of the Company's web site 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 web site.

2. Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Assets			
Cash and cash equivalents	9	549,612	562,101
Due from broker		-	3,720
Other receivables		123,434	77,361
Financial assets held at fair value through profit or loss	3	55,115,567	37,823,488
Total assets		**55,788,613**	**38,466,670**
Equity and Liabilities			
Liabilities			
Directors' fees payable	11	28,750	28,750
Management fees payable	7,11	47,212	25,979
Administration fees payable	6	57,551	23,253
Audit fees payable		36,550	21,683
Other payables		10,760	29,737
Total liabilities		**180,823**	**129,402**
Equity			
Management Ordinary Shares	10	10,000	10,000
Ordinary Shares	10	81,024,525	80,557,984
Profit and loss account		(25,426,735)	(42,230,716)
Total equity		**55,607,790**	**38,337,268**
Total equity and liabilities		**55,788,613**	**38,466,670**
Net Asset Value per Ordinary Share (in Pence) – Basic and diluted	12	47.9	33.5

The financial statements on pages 32 to 58 were approved by the Board of Directors on 5 April 2017 and signed on its behalf by:

Howard Myles Christopher Sherwell

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 Revenue £	Year ended 2016 Capital £	Year ended 2016 Total £
Income				
Interest income		6,275	-	6,275
Other income		47,956	-	47,956
Net gain on financial assets at fair value through profit or loss	3	-	17,783,965	17,783,965
Net foreign exchange gain		-	12,598	12,598
Net income		**54,231**	**17,796,563**	**17,850,794**
Expenses				
Management fees	7,11	460,570	-	460,570
Directors' fees	11	115,000	-	115,000
Audit fees		95,767	-	95,767
Administration fees	6	93,588	-	93,588
Other expenses	8	69,901	-	69,901
Interest expenses		66,025	-	66,025
Custody fees		59,679	-	59,679
Broker fees		46,245	-	46,245
Legal fees		26,602	-	26,602
Directors' expenses		13,436	-	13,436
Total expenses		**1,046,813**		**1,046,813**
Net (loss)/ gain for the year		**(992,582)**	**17,796,563**	**16,803,981**
Net gain for the year per Ordinary Share:				
Basic and diluted (in pence)	12	(0.9)	15.5	14.6

In the year ended 31 December 2016 there were no other gains or losses than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Income Statement follows the recommendations of the AIC Statement of Recommended Practice.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 2015 Revenue £	Year ended 2015 Capital £	Year ended 2015 Total £
Income				
Interest income		71,864	-	71,864
Other income		25,783	-	25,783
Net loss on financial assets at fair value through profit or loss	3	-	(6,625,328)	(6,625,328)
Net foreign exchange loss		-	(6,474)	(6,474)
Net income/(loss)		**97,647**	**(6,631,802)**	**(6,534,155)**
Expenses				
Management fees	7,11	459,657	-	459,657
Directors' fees	11	133,037	-	133,037
Administration fees	6	86,416	-	86,416
Custody fees		58,283	-	58,283
Other expenses	8	50,304	-	50,304
Broker fees		48,194	-	48,194
Audit fees		44,103	-	44,103
Directors' expenses		26,794	-	26,794
Legal fees		1,044	-	1,044
Total expenses		**907,832**	**-**	**907,832**
Net loss for the year		**(810,185)**	**(6,631,802)**	**(7,441,987)**
Net loss for the year per Ordinary Share:				
Basic and diluted (in pence)	12	(0.7)	(6.0)	(6.7)

In the year ended 31 December 2015 there were no other gains or losses than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Income Statement follows the recommendations of the AIC Statement of Recommended Practice.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Management Ordinary Shares £	Ordinary Shares £	Treasury Shares £	Profit and loss account (Revenue) £	Profit and loss account (Capital) £	Year ended £
Balance as at 1 January 2015	10,000	66,945,285	-	(6,482,078)	(28,306,651)	32,166,556
Issue of Ordinary Shares for cash	-	1,219,393	-	-	-	1,219,393
Issue of Ordinary Shares in specie	-	13,112,248	-	-	-	13,112,248
Expenses related to the issue of shares	-	(578,450)	-	-	-	(578,450)
Ordinary Shares held as Treasury	-	-	(140,492)	-	-	(140,492)
Net loss for the year	-	-	-	(810,185)	(6,631,802)	(7,441,987)
Balance as at 31 December 2015	**10,000**	**80,698,476**	**(140,492)**	**(7,292,263)**	**(34,938,453)**	**38,337,268**
Issue of Ordinary Shares in specie	-	466,541	-	-	-	466,541
Net (loss) / gain for the year	-	-	-	(992,582)	17,796,563	16,803,981
Balance as at 31 December 2016	**10,000**	**81,165,017**	**(140,492)**	**(8,284,845)**	**(17,141,890)**	**55,607,790**
Note	10	10	10			

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 2016 £	Year ended 2015 £
Cash flows from operating activities			
Net gain/(loss) for the year		16,803,981	(7,441,987)
Adjustments to reconcile gain/(loss) for the year to net cash (used in) operating activities:			
Interest income		(6,275)	(71,864)
Interest expense		66,025	-
Net (gain)/loss on financial assets at fair value through profit or loss	3	(17,783,965)	6,625,328
Net increase in receivables		(100,081)	(3,964)
Net increase/(decrease) in payables		51,421	(239,381)
		(968,894)	(1,131,868)
Interest (paid)/received		(5,742)	88,041
Net cash used in operating activities		**(974,636)**	**(1,043,827)**
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(2,024,331)	(2,455,778)
Sale of financial assets at fair value through profit or loss		2,986,478	3,467,038
Net cash provided by investing activities		**962,147**	**1,011,260**
Cash flows from financing activities			
Proceeds from shares issued	10	-	1,219,393
Expenses related to the issue of shares		-	(578,450)
Payment for redemption of shares	10	-	(140,492)
Net cash provided by financing activities		**-**	**500,451**
Net (decrease)/ increase in cash and cash equivalents		(12,489)	467,884
Cash and cash equivalents at the beginning of the year		562,101	94,217
Cash and cash equivalents at the end of the year	9	**549,612**	**562,101**
Supplemental disclosure of non-cash flow information			
Purchase of financial assets at fair value through profit or loss	10	(466,541)	(13,112,248)
Issue of Ordinary Shares in specie	10	466,541	13,112,248

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Baker Steel Resources Trust Limited (the "Company") is a closed-ended investment company with limited liability incorporated and domiciled on 9 March 2010 in Guernsey under the Companies (Guernsey) Law, 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the POI Law and the Registered Collective Investment Scheme Rules 2015 issued by the Guernsey Financial Services Commission ("GFSC"). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. The Company's Ordinary and Subscription Shares were admitted to the Premium Listing Segment of the Official List on 28 April 2010.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss, which are designated at fair value through profit or loss. The financial statements have been prepared on a going concern basis.

The Company's functional currency is the Great Britain pound Sterling ("£"), being the currency in which its Ordinary Shares are issued and in which returns are made to shareholders. The presentation currency is the same as the functional currency. The financial statements have been rounded to the nearest £. The Company invests in companies around the world whose shares are denominated in various currencies. 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 ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 by the Association of Investment Companies.

Income encompasses both revenue and capital gains/losses. For a listed investment company it is necessary to distinguish revenue from capital for the purpose of determining the distribution. Revenue includes items such as dividends, interests, fees, rent and other equivalent items. Capital is the return, positive or negative, from holding investments other than that part of the return that is revenue. The SORP provides guidance on the items that should be recognised as capital/revenue. Where specific guidance is not given an item is recognised in accordance with its economic substance.

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 reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Significant accounting judgements and estimates (continued)

(i) Judgements

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

Assessment as Investment Entity

As per IFRS 10, an entity shall determine whether it is an investment entity. An investment entity is an entity that fulfils the following criteria:

- It obtains funds from one or more investors for the purpose of providing those investors with investment services.
- It commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the above criteria in and is therefore considered to be an investment entity and therefore all entities that qualify as subsidiaries or associates are carried at fair value through profit or loss.

Subsidiaries

Entities in which the Company holds more than 50% of the voting rights, and where the Company has appointed or has the right to appoint the majority of directors or where the Company is otherwise able to exercise control are considered as subsidiaries of the Company, these are disclosed in Note 15 of these financial statements. Investments in subsidiaries are carried at fair value through profit or loss.

Associates

The Directors consider that entities over which the Company exercises significant influence, including where it holds more than 20% of the voting rights, or where there is a shareholders agreement giving the Company the right to appoint a director and the right to veto significant financial decisions should be considered as associates of the Company and these are disclosed in Note 13 of the financial statements. This also includes entities where the Company has representation on the board and such representation is considered to have significant influence over the major decisions of such entity.

Going Concern

As described in the Director's Report the Directors have assessed the financial position of the Company and are satisfied that it can continue in operation for at least 12 months from the date of signing the financial statements, accordingly the financial statements have been prepared on a going concern basis.

(ii) Estimates and assumptions

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

(iii) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis or stress testing techniques.

c) Financial assets at fair value through profit or loss

In accordance with IAS 39 the Company designates its investments as at fair value through profit or loss, at initial recognition. 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. All derivatives are classified as held for trading and are included in financial assets at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Financial assets 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 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 year 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.

Financial assets may be acquired for a consideration in the form of an issue of the Company's own shares. A contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is accounted for as an equity instrument. The cost of the assets acquired is determined as at the fair value of the consideration given, being the fair value of the equity instruments issued or the asset received, if that is more easily measured, together with directly attributable transaction costs on the transaction date.

Subsequent measurement
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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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) Other financial assets and liabilities

Other receivables, measured at amortised cost, include the contractual amounts for settlement of trades and other obligations due to the Company. Amount due to brokers, investment management fees payable, directors' fees payable, audit fees payable, administration fees payable and other payables represent the contractual amounts and obligations due by the Company for settlement for trades and expenses. Due to their short term maturities, their amortised cost is a reasonable approximation of fair value.

e) Interest income and expense
Bank interest income and interest expense are recognised on an accruals basis based on the effective interest method.

f) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash balances held at banks. Cash and cash equivalents are included in the financial statements at their principal amount.

g) Expenses
All expenses are recognised on an accruals basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Translation of foreign currencies

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

i) Segment information

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

j) Net asset value per share

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

k) Change in accounting policy

The following amendments were applicable for the first time this year but had no significant impact on the financial statements of the Company.

Amendments to IAS 1: Disclosure Initiative

In December 2014, the International Accounting Standards Board (the IASB or the Board) issued amendments to IAS 1 Presentation of Financial Statements and an exposure draft proposing amendments to IAS 7 Statement of Cash Flows as part of its Disclosure Initiative.

The following narrow-scope amendments have been made to IAS 1:

- Materiality and aggregation: clarifies that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs, i.e. disclosures specifically required by IFRSs need to be provided only if the information is material.
- Statement of Financial Position and Statement of Comprehensive Income: clarifies that the list of line items specified by IAS 1 for these statements can be disaggregated and aggregated as relevant. Additional guidance has been added on the presentation of subtotals in these statements.
- Presentation of items of other comprehensive income ("OCI"): clarifies that an entity's share of OCI of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes: clarifies that entities have flexibility when designing the structure of the notes and provides guidance on how to determine a systematic order of the notes. Also, unhelpful examples regarding the identification of significant accounting policies have been removed.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities-Applying the Consolidation Exception

The amendment issued in December 2014, and effective for annual periods beginning on or after 1 January 2016, addresses the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements: (i) clarifies that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value (ii) clarifies that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated; all other subsidiaries of an investment entity are measured at fair value (iii) allows the investor, when applying the equity method, to retain fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Accounting standards and amendments to existing accounting standards in issue but 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. There are other accounting pronouncements but the ones listed are most relevant to the financial statements of the Company and are therefore expanded on below.

Amendments to IAS 7 - Statements of cash flow

Amendments to IAS 7, 'Statements of cash flow' effective for annual periods beginning on or after 1 January 2017. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The amendments state that one way to fulfil the new disclosure requirement is to provide reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. Earlier application is permitted. The Company does not expect the measurement and classification requirements to have a significant impact on its financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instrument, effective date for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard changes the approach for classification and measurement of financial assets compared with the requirements of IAS 39 Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Company's financial assets under equity instruments and derivative instruments continue to be at fair value through profit or loss ("FVTPL"). Debt instruments are subsequently measured at FVTPL as the Company's business model is to convert the debt to equity and sell for gain.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. However, it is not expected that classification of financial assets and liabilities will change from FVTPL and therefore it is not expected that the implementation of IFRS 9 on 1 January 2018 and reflected in the financial statements as at year end 31 December 2018 will have a significant impact on the financial statements given most financial instruments are expected to be at FVTPL.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment Summary:	Year ended 2016 £	Year ended 2015 £
Opening book cost	56,701,184	60,608,262
Purchases at cost	2,490,872	15,568,026
Proceeds on sale	(2,982,758)	(3,467,038)
Realised losses	(1,244,566)	(16,008,066)
Closing cost	54,964,732	56,701,184
Unrealised gains/(losses)	150,835	(18,877,696)
Financial assets held at fair value through profit or loss	**55,115,567**	**37,823,488**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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

The following table analyses net gains/(losses) on financial assets at fair value through profit or loss for the years ended 31 December 2016 and 31 December 2015.

	Year ended 2016 £	Year ended 2015 £
Financial assets at fair value through profit or loss		
Realised losses on:		
- Listed equity shares	(1,244,564)	(4,035,152)
- Unlisted equity shares	(2)	(11,956,811)
- Debt instruments	-	(9,011)
- Warrants	-	(7,092)
	(1,244,566)	(16,008,066)
Movement in unrealised gains on:		
- Listed equity shares	8,956,354	1,856,871
- Unlisted equity shares	15,087,023	6,446,620
- Debt instruments	(5,009,892)	1,116,693
- Warrants	(4,954)	(37,446)
	19,028,531	9,382,738
Net gain/(losses) on financial assets at fair value through profit or loss	17,783,965	(6,625,328)

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2016.

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
Financial assets at fair value through profit or loss				
Listed equity shares	13,252,979	-	-	13,252,979
Unlisted equity shares	-	-	37,819,837	37,819,837
Warrants	-	-	5,303	5,303
Debt instruments	-	-	4,037,448	4,037,448
	13,252,979	-	41,862,588	55,115,567

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2015.

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
Financial assets at fair value through profit or loss				
Listed equity shares	6,266,464	1,725,442	-	7,991,906
Unlisted equity shares	-	-	12,290,239	12,290,239
Warrants	-	-	10,257	10,257
Debt instruments	-	-	17,531,086	17,531,086
	6,266,464	1,725,442	29,831,582	37,823,488

It is the Company's policy to recognise a change in hierarchy level when there is a change in the status of the investment, for example when a listed company delists or vice versa, or when shares previously subject to a restriction have that restriction released. The transfers between levels are recorded either on the value of the transaction the value of the investment immediately after the event or the carrying value of the investment at the beginning of the financial year.

During the year ended 31 December 2016 there were releases of previously "locked up" shares of Ivanhoe Mining Limited ("Ivanhoe"). The shares of Ivanhoe have been transferred from Level 2 to Level 1 as the locked up shares have been released. The total number of Ivanhoe shares released during the year was 1,248,175 shares equivalent to £372,163.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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

At 31 December 2015, the Company's investment in China Polymetallic Mining Company Limited ("CPM") was held via Special Purpose Vehicle, F.S.B.S Limited Partnership, which the Company did not have direct control. Therefore the investment was classified as Level 2. During 2016 the CPM shares were transferred out of F.S.B.S. Limited and are now held directly by the Company, as a result the value of the investment of £1,353,279 has been transferred from Level 2 to Level 1.

During the year ended 31 December 2015, there were transfers between levels for Ivanhoe and Burrabulla Corporation Limited. Ivanhoe was transferred from Level 2 to Level 1 due to release of locked up shares. The total number of Ivanhoe shares released during the year was 4,527,524 shares (average of 1,131,881 shares per quarter) equivalent to C$6,948,128. Burrabulla Corporation Limited had been transferred from Level 1 to Level 3 as it was no longer listed. The value of the investment was written down to zero following it being placed into administration and delisted.

The tables below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in net loss on financial assets and liabilities at fair value through profit or loss held at 31 December 2016 and 31 December 2015.

31 December 2016	Unlisted Equities £	Debt instruments £	Warrants £	Total £
Opening balance 1 January 2016	12,290,239	17,531,086	10,257	29,831,582
Purchases of investments	801,949	1,156,882	-	1,958,831
Reorganisation	9,640,628	(9,640,628)	-	-
Change in net unrealised gains	15,087,023	(5,009,892)	(4,954)	10,072,177
Realised (losses)	(2)	-	-	(2)
Closing balance 31 December 2016	37,819,837	4,037,448	5,303	41,862,588
Unrealised gains / (losses) on investments still held at 31 December 2016	15,087,023	(5,009,892)	(4,954)	10,072,177

31 December 2015	Unlisted Equities £	Debt instruments £	Warrants £	Total £
Opening balance 1 January 2015	12,128,320	12,497,799	280	24,626,399
Purchases of investments	6,893,464	3,925,604	21,826	10,840,894
Sales of investments	(1,318,043)	-	-	(1,318,043)
Change in net unrealised (losses)/gains	6,446,128	1,116,694	(11,849)	7,550,973
Realised gains/(losses)	(11,956,811)	(9,011)	-	(11,965,822)
Transfer from Level 1 to 3	97,181	-	-	97,181
Closing balance 31 December 2015	12,290,239	17,531,086	10,257	29,831,582
Unrealised gain/(losses) on investments still held at 31 December 2015	6,446,128	1,116,694	(11,849)	7,550,973

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. Level 2 investments are valued with reference to the listed price of the shares should they be freely tradable after applying a discount for liquidity if relevant. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company held nil Level 2 investments at 31 December 2016 (31 December 2015: £1,725,442).

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

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

Valuation methodology of Level 3 investments

The default valuation technique is of Latest Recent Transaction. Where an unquoted investment has been acquired or where there has been a material arm's length transaction during the past six months it will be carried at transaction value unless there are changes or events which suggest cost is not equivalent to fair value. Where there has been no Latest Recent Transaction the primary valuation driver is IndexVal. For each core unlisted investment, the Company maintains a weighted average basket of listed companies which are comparable to the investment in terms of commodity, stage of development and location ("IndexVal"). IndexVal is used as an indication of how an investment's share price might have moved had it been listed. Movements in commodity prices are deemed to have been taken into account by the movement of IndexVal.

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

The valuation technique for Level 3 investments can be divided into four groups:

i. Transactions

Where there have been transactions within the past 6 months either through a capital raising by the investee company or known secondary market transactions, representative in volume and nature and conducted on an arm's length basis, this is taken as the primary driver for valuing Level 3 investments.

ii. IndexVal

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

iii. Warrants

Warrants are valued using a simplified Black & Scholes model taking into account time to expiry, exercise price and volatility. Where there is no established market for the underlying shares an assumed volatility of 40% is used, due to the difficulty in establishing a sensible volatility for unlisted shares without giving distorted results.

iv. Convertible loans

Convertible loans are valued at fair value through profit and loss, taking into account credit risk and the value of the conversion aspect as related to the DRAV derived which relates to the valuation of the sub-sector of the equity. When there is a clear path towards conditions for conversion, for example, an IPO, the equity value of the investment on conversion is also taken into account when determining Fair Value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Quantitative information of significant unobservable inputs – Level 3

Description	2016 £	Valuation technique	Unobservable input	Range (weighted average)
Unlisted Equity	28,676,885	Recent Transactions	Private transactions	n/a
Unlisted Equity	9,025,782	IndexVal	Change in IndexVal	n/a
Unlisted Equity	117,170	Other	Exploration results, study results, financings	n/a
Debt Instruments				
Black Pearl Limited Partnership	2,834,238	Valued at mean estimated recovery	Estimated recovery range	+/- 50%
Other Convertible Debentures/Loans	1,203,210	Valued at fair value with reference to credit risk and value of embedded derivative	Rate of Credit Risk	n/a
Warrants	5,303	Simplified Black & Scholes Model	Volatilities	40%

Description	2015 £	Valuation technique	Unobservable input	Range (weighted average)
Unlisted Equity	6,373,862	Recent Transactions	Private transactions	n/a
Unlisted Equity	4,710,067	IndexVal	Change in IndexVal	n/a
Unlisted Equity	1,206,310	Other	Exploration results, study results, financings	n/a
Debt Instruments				
Argentum Convertible & Polar Silver Loan Notes	10,038,650	Valued at fair value with reference to credit risk and value on conversion	Development risk discount rate	n/a
Black Pearl Limited Partnership	7,071,647	Valued at fair value plus interest accrued with reference to weighted average of probabilities of repayment	Probability weighting	n/a
Other Convertible Debentures/Loans	420,789	Valued at fair value with reference to credit risk	Development risk discount rate	n/a
Warrants	10,257	Simplified Black & Scholes Model	Volatilities	40%

Information on third party transactions in unlisted equities is derived from the Investment Manager's market contacts. The change in IndexVal for each particular unlisted equity is derived from the weighted average movements of the individual baskets for that equity so it is not possible to quantify the range of such inputs. A sensitivity of 70% has been used in the analysis above as this was the greatest amount that IndexVal moved for any single investment during any twelve month period since IndexVal was first adopted.

The valuation method for Ironstone changed from Recent Transaction at 31 December 2015 to IndexVal at 31 December 2016. This was because there was no relevant transaction during the year and despite a rise in IndexVal the carrying value was unchanged due to uncertainty over financing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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

The valuation for Black Pearl changed from valued at fair value through profit and loss with reference to weighted average of probabilities of repayment at 31 December 2015, to the estimated cash recoverable at 31 December 2016, this resulted in a 60% reduction in carrying value over the year in US Dollar terms.

The valuation technique for Gobi changed from IndexVal at 31 December 2015 to Recent Transaction at 31 December 2016 as the result of a financing launched in December 2016 which resulted in a 60% reduction in carrying value over the year in US Dollar terms. Nussir changed from Other to Recent Transaction following a third party acquisition of shares. This resulted in a 23% increase in carrying value in Norwegian Krone terms.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 investments

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2016 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Change in IndexVal	+/-70%	+/- 26,473,885
Debt Instruments			
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/- 944,746
Others/Loans	Risk discount rate	+/-20%	-231,287/+97,872
Warrants	Volatility of 40%	+/-20%	+5,458/-3,620

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2015 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Change in IndexVal	+/-70%**	+/-8,603,167
Debt Instruments			
Argentum Convertible & Polar Silver Loan Notes	Development risk discount rate	+20%***	nil
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/-1,823,228
Other Convertible Debentures/Loans	Development risk discount rate	+20%	nil
Warrants	Volatility of 40%	+/-20%	+9,727/-7,387

**The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The 70% sensitivity was used as this was the highest movement observed for IndexVal for any investment since the commencement of the technique.*

*** Where the recent transaction methodology is used, the change in IndexVal is also referred to in ascertaining that the transaction that occurred during the year still reflects fair value.*

****Of amount outstanding*

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

4. RISK MANAGEMENT POLICIES AND DISCLOSURES

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

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

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

Risk exposures and responses

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

a) Market risk

Market risk is the risk that the fair value 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 2016. 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 2016 would have been a decrease of £5,511,557 (31 December 2015: £3,782,349). An increase of 10% would increase the NAV by £5,511,557 (31 December 2015: £3,782,349). 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 2016 and 31 December 2015.

31 December 2016

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
AUD	160,001	0.5856	93,689	0.17
CAD	14,684,188	0.6029	8,852,735	15.92
EUR	117,555	0.8549	100,496	0.18
GBP	9,711,736	1.0000	9,711,736	17.46
HKD	12,817,143	0.1044	1,338,478	2.41
NOK	20,400,161	0.0941	1,919,800	3.45
USD	41,481,348	0.8098	33,590,856	60.41
			55,607,790	**100.00**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

ii. Currency risk (continued)

31 December 2015

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
CAD	9,555,380	0.4888	4,670,633	12.18
EUR	(7,417)	0.7364	(5,462)	(0.01)
GBP	8,313,023	1.0000	8,313,023	21.68
NOK	9,811,029	0.0766	751,655	1.96
USD	36,291,022	0.6781	24,607,419	64.19
			38,337,268	**100.00**

At 31 December 2016 and 31 December 2015, had any foreign currencies strengthened or weakened by 10% relative to Sterling, with all other variables held constant, total equity would have increased or decreased by the amounts shown below.

Currency	2016 Value £	2015 Value £
AUD	9,369	-
CAD	885,274	467,063
EUR	10,050	(546)
HKD	133,848	-
NOK	191,980	75,166
USD	3,359,086	2,460,742
	4,589,607	**3,002,425**

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

iii. Interest rate risk

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

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

At 31 December 2016	Up to 1 month	More than 6 months	Non-interest bearing	Total
Assets	£	£	£	£
Cash and cash equivalents	549,612	-	-	549,612
Financial assets held at fair value through profit or loss	-	4,037,448	51,078,119	55,115,567
Receivables	-	-	123,434	123,434
Total Assets	549,612	4,037,448	51,201,553	55,788,613
Liabilities				
Other liabilities	-	-	180,823	180,823
Total Liabilities	-	-	180,823	180,823
Interest rate sensitivity gap	549,612	4,037,448		

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

iii. Interest rate risk (continued)

At 31 December 2015	Up to 1 month	More than 6 months	Non-interest bearing	Total
Assets	**£**	**£**	**£**	**£**
Cash and cash equivalents	562,101	-	-	562,101
Financial assets held at fair value through profit or loss	16,181,357	420,789	21,221,342	37,823,488
Receivables	-	-	81,081	81,081
Total Assets	16,743,457	420,789	21,302,423	38,466,670
Liabilities				
Other liabilities	-	-	129,402	129,402
Total Liabilities	-	-	129,402	129,402
Interest rate sensitivity gap	16,743,457	420,789		

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

b) Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices through its investment portfolio. Commodity price risk is beyond the Company's control but will be mitigated to a certain extent as a result of the Company's diversified portfolio as long as commodity prices remain uncorrelated. It is not possible to quantify within reasonable ranges the impact of commodity price changes on the valuation of the Company's investments although it will be reflected in the value of IndexVal and in the price of financings within the investment and therefore be reflected in carrying value. In general, long term commodity price increases should give rise to an increase in fair value of the Company's investments.

c) Liquidity risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company invests in unlisted equities for which there may not be an immediate market. The Company seeks to mitigate this risk by maintaining a cash and listed share position which will cover its ongoing operational expenses.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

c) Liquidity risk (continued)

At 31 December 2016	**Less than 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**	**No contractual maturity**	**Total**
Assets	**£**	**£**	**£**	**£**	**£**	**£**
Cash and cash equivalents	549,612	-	-	-	-	549,612
Financial assets held at fair value through profit or loss	-	-	2,162	4,040,589	51,072,816	55,115,567
Receivables	117,160	-	6,274	-	-	123,434
Total Assets	666,772	-	8,436	4,040,589	51,072,816	55,788,613

	Less than 1 month	**1-3 months**	**3-12 months**	**More than 12 months**	**No contractual maturity**	**Total**
Liabilities	**£**	**£**	**£**	**£**	**£**	**£**
Other payables and accrued expenses	28,750	65,523	86,550	-	-	180,823
Total Liabilities	28,750	65,523	86,550	-	-	180,823
Net assets attributable to shareholders						55,607,790

At 31 December 2015	**Less than 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**	**No contractual maturity**	**Total**
Assets	**£**	**£**	**£**	**£**	**£**	**£**
Cash and cash equivalents	562,101	-	-	-	-	562,101
Financial assets held at fair value through profit or loss	17,110,296	-	420,789	-	20,292,403	37,823,488
Receivables	20,799	-	60,282	-	-	81,081
Total Assets	17,693,196	-	481,071	-	20,292,403	38,466,670

	Less than 1 month	**1-3 months**	**3-12 months**	**More than 12 months**	**No contractual maturity**	**Total**
Liabilities	**£**	**£**	**£**	**£**	**£**	**£**
Other payables and accrued expenses	77,982	29,737	21,683	-	-	129,402
Total Liabilities	77,982	29,737	21,683	-	-	129,402
Net assets attributable to shareholders						38,337,268

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

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, debt instruments, loan and loan notes as stated in the Statement of Financial Position.

The Company seeks to mitigate this risk by lending to companies with projects which have significant value over and above the value of the debt in such company so that there is a significant equity "buffer". The maximum credit risk for the Company is £4,587,060 (2015:£18,096,907).

At 30 June 2016, it was suggested that bond holders of Black Pearl might be asked to accept a reduction in the amount they are owed or to convert into equity. This represented a deterioration in credit risk and accordingly the Company decided to reduce the carrying value of its bond and accrued interest by 68%. Since then the investment climate for iron ore projects has improved suggesting a potential improvement in credit risk. However as no proposal had been made regarding repayment of the Black Pearl bonds by the year end, there was no further change to carrying value of Black Pearl from the value at 30 June 2016.

As at 31 December 2016, the Company's financial assets exposed to credit risk were held with the following weight:

Financial Assets	Counterparty	**Credit Rating	2016 % of net assets
Convertible debt instruments			
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	5.10
-Convertible Loan & Loan Note	Bilboes Holdings	NR*	1.41
-Loan Note	Cemos Group Plc	NR*	0.29
-Loan Note	Ironstone Resources Limited	NR*	0.46
Cash and cash equivalents	HSBC Bank plc	AA-	0.99
Total			8.25

As at 31 December 2015, the Company's financial assets exposed to credit risk were held with the following weight:

Financial Assets	Counterparty	**Credit Rating	2015 % of net assets
Convertible debt instruments			
- Convertible Loan Note	ZAO Argentum	NR*	23.76
- Convertible Loan Note	Black Pearl Limited Partnership	NR*	18.45
- Convertible Loan Note	Polar Silver Resources Limited	NR*	2.42
- Convertible Loan & Loan Notes	Bilboes Holdings	NR*	0.78
- Loan Note	Ironstone Resources Limited	NR*	0.32
Cash and cash equivalents	HSBC Bank plc	AA-	1.47
Due from Brokers	HSBC Bank plc	AA-	0.01
Total			47.21

* No rating available
**As per Moody's

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

e) Concentration risk

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

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

The Company's investment in Polar Acquisition Limited made up 37.88% of net assets at year end (2015: Argentum and Polar Silver Convertible Notes at 23.76% of net assets). This increase in concentration risk was a result of the reorganisation of the Polar Silver/PAL group during the year and revaluation of PAL at the year end. The Company is seeking to mitigate this risk through the disposal of a portion of its interest in PAL. The first step of this was announced on 3 April 2017 with issue of a convertible debt by PAL to clients, Sprott Inc with the funds raised intended to be utilised in repurchase of its own shares by PAL from the Company and other PAL shareholders.

5. 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 exemption fee of £1,200 (2015: £1,200) has been paid.

6. ADMINISTRATION FEES

The Administrator, HSBC Securities Services (Guernsey) Limited, is paid fees for acting as administrator of the Company at the rate of 7 basis points of gross asset value up to US$250 million; the rate reduces to 5 basis points of gross asset value above US$250 million. The Administrator is also reimbursed by the Company for reasonable out-of-pocket expenses. These fees 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 2016 were £93,588 (2015: £86,416) of which £57,551 (2015: £23,253) was payable at 31 December 2016. HSBC Securities Services (Ireland) DAC, the sub-Administrator, is paid a portion of these fees by the Administrator.

7. MANAGEMENT AND PERFORMANCE FEES

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

The management fee for the year ending 31 December 2016 was £460,570 (2015: £459,657) of which £47,212 (2015: £25,979) was outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

7. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)

The Manager is also entitled to a performance fee. The Performance Period is each 12 month period ending on 31 December in each year (the "Performance Period"). The amount of the performance fee is 15 per cent of the total increase in the NAV, if the Hurdle has been met, at the end of the relevant Performance Period, over the highest previously recorded NAV as at the end of a Performance Period in respect of which a performance fee was last accrued, having made adjustments for numbers of Ordinary Shares issued and/or repurchased as described above. In addition, the performance fee will only become payable if there have been sufficient net realised gains.

There were no performance fees for the current or prior period.

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

8. OTHER EXPENSES

	2016 TOTAL £	2015 TOTAL £
Registrar fees	33,775	17,473
Listing fees	15,921	1,288
Regulatory fees	7,625	8,998
Marketing costs	570	1,140
Website expenses	-	405
Miscellaneous expenses	12,010	21,000
	69,901	50,304

9. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at HSBC Bank plc	549,612	562,101

10. SHARE CAPITAL

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

The Company has a total of 116,129,980 (2015: 114,568,335) Ordinary Shares in issue with 700,000 (2015: 700,000) held in treasury. In addition, the Company has 10,000 (2015: 10,000) Management Ordinary Shares in issue, which are held by the Investment Manager.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

10. SHARE CAPITAL (CONTINUED)

On 28 August 2014, the Company agreed to subscribe for 1,462,500 Ordinary Shares of Cemos Group plc for a consideration of £585,000. This consideration was settled through the issue of 1,376,470 Ordinary Shares of the Company at the unaudited NAV of 42.5 pence per share on 27 February 2015. In accordance with IFRS the consideration of the transaction is recorded in the Company's financial statements based on its (trading) share price, which was 32.5 pence per share. The consideration was therefore £0.45 million.

On 25 February 2015, the Company acquired two portfolios of Investments with a total value of £16 million. This consideration was settled through the issue of 30,468,522 new Ordinary Shares of the Company based on the unaudited NAV of 42.6 pence per share on 18 February 2015 and 8,351,079 new Ordinary Shares of the Company based on a 15% discount to this unaudited NAV. In accordance with IFRS the consideration of the transaction is recorded in the Company's financial statements based on its (trading) share price, which was 32.6 pence per share. The consideration was therefore £12.66 million. The fair values of the loan notes and shares received were determined by reference to the valuation techniques as outlined in Note 3.

In addition, on 25 February 2015, the Company issued a total of 3,368,488 new Ordinary Shares in respect of cash subscriptions under an Open Offer to all shareholders for a consideration of £1,219,393.

On 14 August 2015 and 20 August 2015 the Company bought back 200,000 and 500,000 Ordinary Shares respectively, both at an average of 20 pence per share. The repurchased Ordinary Shares are held in Treasury.

On 22 September 2016, the Company acquired 3,926,425 Ordinary Shares of Nussir ASA from three different parties for a total consideration of £624,658. This consideration was settled through the issue of 1,561,645 Ordinary Shares of the Company at the unaudited NAV of 40.0 pence per share. In accordance with IFRS the consideration of the transaction is recorded in the Company's financial statements based on its (trading) share price, which was 29.875pence per share, the consideration recorded is therefore £0.47million.

The above transactions had no impact on the profit or loss for the current financial year, they did however impact the NAV per share of the Company.

The Ordinary Shares are admitted to the Premium Listing segment of the Official List. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

10. SHARE CAPITAL (CONTINUED)

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

	2016		2015	
	Amount £	No. of shares**	Amount £	No. of shares**
Issued and fully paid share capital				
Ordinary Shares of no par value* (including Management Ordinary Shares)	81,175,017	116,839,980	80,708,476	115,278,335
Treasury Shares	(140,492)	(700,000)	(140,492)	(700,000)

The issue of Ordinary Shares during the year ended 31 December 2016 took place as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares**	Amount £	No. of shares
Balance at 1 January 2016	80,567,984	114,578,335	140,492	700,000
Issue of Ordinary Shares	466,541	1,561,645	-	-
Balance at 31 December 2016	81,034,525	116,139,980	140,492	700,000

The issue of Ordinary Shares during the year ended 31 December 2015 took place as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares**	Amount £	No. of shares
Balance at 1 January 2015	66,955,285	71,713,776	-	-
Issue of Ordinary Shares	13,753,191	43,564,559	-	-
Buy-back of Ordinary Shares	(140,492)	(700,000)	140,492	700,000
Balance at 31 December 2015	80,567,984	114,578,335	140,492	700,000

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

*** Includes 10,000 Management Ordinary Shares*

Capital Management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

10. SHARE CAPITAL (CONTINUED)

Capital Management (continued)

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

As described in the Directors' Report on page 14, the Company has a policy to distribute 15 per cent of net realised cash gains after deducting losses during the financial year through dividends or otherwise. The amount available for distribution will be assessed following completion of the audit of the financial statements

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

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

11. RELATED PARTY TRANSACTIONS

The Directors' interests in the share capital of the Company were:

	Number of Ordinary Shares 2016	**Number of Ordinary Shares 2015**
Christopher Sherwell	96,821	96,821
Clive Newall	25,000	25,000

The Manager, Baker Steel Capital Managers (Cayman) Limited had an interest in 504,832 Ordinary Shares as at 31 December 2015. This interest was divested during the year ended 31 December 2016.

The Investment Manager, Baker Steel Capital Managers LLP had an interest in 10,000 Management Ordinary Shares at 31 December 2016 (31 December 2015: 10,000).

Baker Steel Global Funds SICAV – Precious Metals Fund ("Precious Metals Fund") had an interest in 7,669,609 Ordinary Shares in the Company at 31 December 2016 (2015: 7,669,609). These shares are held in a custodian account with Citibank N.A. London. Precious Metals Fund shares a common Investment Manager with the Company.

The Company's Associates and Subsidiaries are described in Note 13 and 15 to these financial statements. The Company has entered into the following transactions with these companies:

On 4 January 2016, the Company subscribed US$330,000 in loan notes to Bilboes Gold Limited.

On 21 March 2016, the Company subscribed for 333,334 shares in CEMOS Group PLC.

On 26 September 2016, the Company entered into a €125,000 loan to CEMOS Group PLC.

On 21 December 2016, the Company entered into a £50,000 loan to CEMOS Group PLC.

Other related party transactions and positions are disclosed in Note 13 and Note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

11. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2016	2015
Management fees	460,570	459,675
Directors' fees	115,000	133,037

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

	2016	2015
Management fees	47,212	25,979
Directors' fees	28,750	28,750

12. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per share is based on the net assets of £55,607,790 (31 December 2015: £38,337,268) and 116,139,980 (31 December 2015: 114,578,335) Ordinary Shares, being the number of shares in issue at the year end. The calculation for basic and diluted NAV per share is as below:

	31 December 2016 Ordinary Shares	31 December 2015 Ordinary Shares
Net assets at the year end (£)	55,607,790	38,337,268
Number of shares	116,139,980	114,578,335
Net asset value per share (in pence) basic and diluted	47.9	33.5
Weighted average number of shares	115,098,883	111,241,585

The basic and diluted gain per share for 2016 is based on the net gain for the year of the Company of £16,803,981 and on 115,098,883 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The basic and diluted loss per share for 2015 is based on the net loss for the year of the Company of £7,441,987 and on 111,241,585 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

13. INVESTMENT IN ASSOCIATES

The interests in the below companies are for investment purposes and they are deemed associates by virtue of the Company having appointed a non-executive director and/or holding in excess of 20% of the voting rights of the relevant company.

The Company holds a 26.6% interest in Cemos Group Limited, a Company incorporated in Jersey, whose principal activity is the development of oil shale projects in Morocco and Australia.

The Company holds a 21.7% interest in Bilboes Gold Limited; a Company incorporated in Mauritius whose principal activity is the development of gold mining projects in Zimbabwe.

The Company holds a 20.8% interest in Archipelago Metals Limited; a Company incorporated in Australia whose principal activity is the development of chromite projects in Vietnam.

The Company holds a 16.4% interest in Ironstone Resources Limited; a Company incorporated in Canada whose principal activity is the development of iron ore projects in Canada.

The Company holds a 15.2% interest in Nussir ASA; a Company incorporated in the Norway whose principal activity is the development of copper mining projects in Norway.

The Company holds a 10.0% interest in India Pacific Resources Limited; a company incorporated in Australia whose principal activity is the development of iron ore projects in Madagascar.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. SUBSEQUENT EVENTS

On 3 April 2017 the Company announced that Polar Acquisition Limited has agreed to issue a US$4.75 million convertible loan to discretionary clients of Sprott Inc which is convertible at any time up to 31 March 2020 by the holder into a 10% equity interest in PAL.

There were no other events subsequent to the year end that materially impacted on the Company.

15. SUBSIDIARY COMPANIES

The Company holds a 64% interest which constitutes control in Polar Acquisition Limited ("PAL"); a Company incorporated in the British Virgin Islands.

As described in Note 2 (i) the Company qualifies as an Investment Entity and therefore in accordance with IFRS 10, and as explained in Note 2(k) it is exempt from preparing consolidated financial statements. The interest in PAL has therefore not been consolidated within these financial statements.

During the year the Company paid certain set up and reorganisation costs on behalf of PAL and its subsidiary Polar Silver which are included in receivables and have been repaid to the Company after the year end. This amounted to £102,275 as at 31 December 2016, and is included within other receivables in the Statement of Financial Position.

16. APPROVAL OF ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The Annual Report and Audited Financial Statements for the year end 31 December 2016 were approved by the Board of Directors on 5 April 2017.

APPENDIX - ADDITIONAL INFORMATION (UNAUDITED)

REMUNERATION DETAILS FOR INVESTMENT MANAGER'S STAFF

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

For the year ended 31 December 2016 there was no fixed remuneration paid to staff at the Investment Manager. Variable remuneration amounted to £335,456. No carried interest was paid by the Company. These figures represent the aggregate remuneration paid to staff of the Investment Manager for the year ended 31 December 2016. The total remuneration of the individuals whose actions have a material impact upon the risk profile of the AIFs managed by the AIFM amounted to £335,456. An allocation in relation to each AIF has not been provided, as this information cannot be reliably determined and therefore is not readily available.

The total AIFM remuneration attributable to senior management was £126,697 and the amount attributable to other Identified Staff was £41,031. The remuneration figures reflect an approximation of the portion of AIFM remuneration reasonably attributable to the AIFs.

GLOSSARY OF TERMS

4PE – Platinum, Palladium, Gold and Rhodium

AIF – Alternative Investment Fund

AIFM – Alternative Investment Fund Manager

AIFMD - Alternative Investment Fund Managers Directive

BSRT – Baker Steel Resources Trust Limited

Commission – Guernsey Financial Services Commission

DRAVs – Development Risk Adjusted Values

DRC – Democratic Republic of Congo

EU – European Union

EGM – Extraordinary General Meeting

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

FVO – Fair value option

FVOCI– Fair value through other comprehensive income

FVTPL – Fair value through profit or loss

GFSC – Guernsey Financial Services Commission

GFSC Code - Guernsey Financial Services Code of Corporate Governance

g/t – Grams per tonne

IAS – International Accounting Standards

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

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

IPO – Initial Public Offering (stock market launch)

ITG – IFRS Transition Resource Group of Impairment of Financial Instruments

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

Mt – million tonnes

NAV – Net Asset Value

GLOSSARY OF TERMS (CONTINUED)

NAV Discount – NAV to market price discount The Net Asset Value ("NAV") per share is the value of all the investment company's assets, less any liabilities it has, divided by the number of shares. However, because the Company's Ordinary Shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. The Company's discount is calculated by expressing the difference between the period end dollar equivalent share price and the period end NAV per share as a percentage of the NAV per share (2016: 40%, 2015:57%).

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

OCI – Other comprehensive income

PEA – Preliminary Economic Assessment

SORP – Statement of Recommended Practice issued by The Association of Investments Companies dated November 2014

UK Code – UK Corporate Governance Code published by the Financial Reporting Council in September 2014.

BAKER STEEL RESOURCES TRUST LIMITED

(the "**Company**")

(incorporated in Guernsey with registered number: 51576)

NOTICE OF 2017 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2017 Annual General Meeting of the Company will be held at Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF on Friday 9th June 2017 at 10.00 am for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary Resolutions

1. That the financial statements of the Company for the period ended 31 December 2016 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 Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 4AF as auditors of the Company for the year ended 31 December 2017, 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 Clive Newall, being eligible and offering himself for re-election, be re-elected as a Director of the Company.

6. That Christopher Sherwell, being eligible and offering himself for re-election, be re-elected as a Director of the Company.

7. That the Directors be and are hereby authorised to fix the remuneration of the Auditors for the year ended 31 December 2017.

8. That the maximum remuneration of the Directors for the year ended 31 December 2017 be fixed at an aggregate amount of £200,000.

Special Resolutions

9. 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;

(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.

10. That the Directors be and are hereby authorised to allot and issue (or sell from treasury) up to 11,612,998 Ordinary Shares for cash as if Article 5(b)(1) to 5(b)(8) of the Company's articles of incorporation did not apply to such allotment, issue or sale, provided that this authority shall expire on 9th August 2018 or, if earlier, the conclusion of the Company's next annual general meeting unless such authority is renewed, varied or revoked by the Company in general meeting prior to or on such date save that the Company may at any time before such expiry make an offer or agreement which might require Ordinary Shares to be allotted, issued or sold from treasury after such expiry and the Directors may allot, issue or sell from treasury Ordinary Shares after such expiry in pursuance of any such offer or agreement as if the authority conferred hereby had not has expired.

Dated 5th April 2017
By order of the Board

HSBC Securities Services (Guernsey) Limited
Company Secretary

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's Registrars, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU United Kingdom received by the Company's registrars no later than 10.00 am on 7th June 2017.

   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 Asset Services on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge). If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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 Asset Services at the address above. 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 Asset Services no later than 10.00 am on 7th June 2017. 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.

   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 Asset Services on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge). If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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 10:00 am on 7th June 2017. 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 10.00 am on 7th June 2017.

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 by close of business on 7th June 2017. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend 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 10.00 am on 7th June 2017: Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU United Kingdom

MANAGEMENT AND ADMINISTRATION

DIRECTORS:	Howard Myles (Chairman) Charles Hansard Clive Newall Christopher Sherwell *(all of whom are non-executive and independent)*
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* 34 Dover Street London W1S 4NG United Kingdom
STOCK BROKERS:	Numis Securities Limited 10 Paternoster Square London EC4M 7LT United Kingdom
SOLICITORS TO THE COMPANY: (as to English law)	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
ADVOCATES TO THE COMPANY: (as to Guernsey law)	Ogier Redwood House St. Julian's Avenue St. Peter Port Guernsey GY1 1WA Channel Islands
ADMINISTRATOR & COMPANY SECRETARY:	HSBC Securities Services (Guernsey) Limited Arnold House St. Julian's Avenue St. Peter Port Guernsey GY1 3NF Channel Islands

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

MANAGEMENT AND ADMINISTRATION (CONTINUED)

SUB-ADMINISTRATOR TO THE COMPANY:	HSBC Securities Services (Ireland) DAC [formerly HSBC Securities Services (Ireland) Limited] 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
CUSTODIAN TO THE COMPANY:	HSBC Institutional Trust Services (Ireland) DAC [formerly HSBC Institutional Trust Services (Ireland) Limited] 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
SAFEKEEPING AND MONITORING AGENT: (terminated with effect from 1 November 2016) (reinstated with effect from 28 February 2017)	HSBC Institutional Trust Services (Ireland) DAC [formerly HSBC Institutional Trust Services (Ireland) Limited] 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
AUDITOR:	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF Channel Islands
REGISTRAR:	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St. Sampson Guernsey GY2 4LH Channel Islands
UK PAYING AGENT AND TRANSFER AGENT:	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
RECEIVING AGENT:	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
PRINCIPAL BANKER:	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom