

**bakersteel**  
**resource**trust

**BAKER STEEL RESOURCES TRUST LIMITED**

# Annual Report and Audited Financial Statements

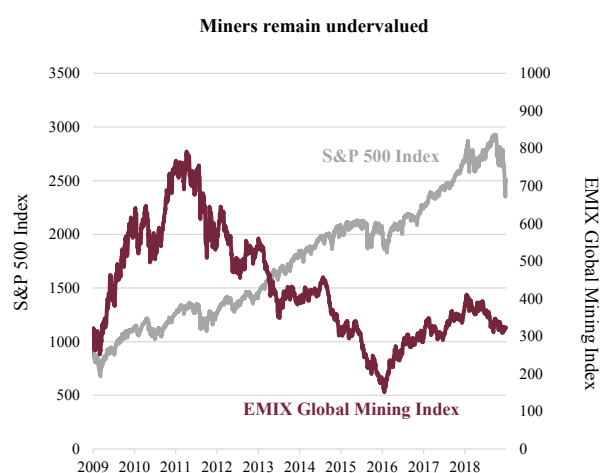
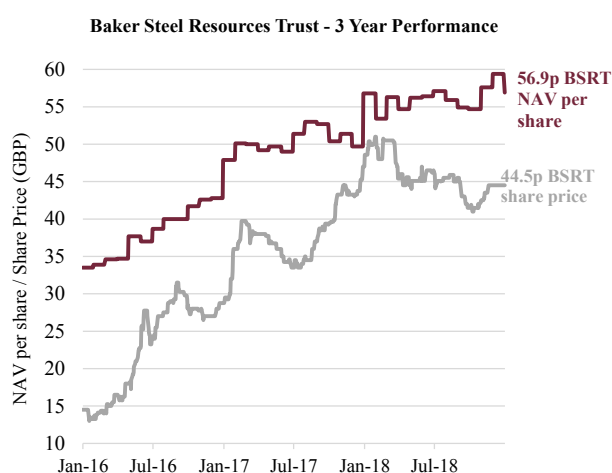
For the year ending 31 December 2018

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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.

BSRT has increased its NAV and generated strong share price performance over the past three years. The mining sector remains undervalued compared to general equity markets and relative to historical levels.



Data at 31 December 2018.  
Source: Bloomberg, Baker Steel internal.

**CHAIRMAN'S STATEMENT**

**For the year ended 31 December 2018**

2018 was a year in which the recovery in the mining market paused for breath. Commodity prices were generally weaker and the market for mining shares followed suit with the EMIX Global Mining Index down 5.9% over the year in Sterling terms. Against this background, the Company increased its Net Asset Value by 0.2%, largely due to the successful completion of the sale of our investment in the Prognoz silver project to Polymetal International plc.

This pause in the upward momentum has actually been welcome as it has given the Investment Manager the opportunity to generate opportunities to recycle the proceeds of the Prognoz sale. One of the realities of investing in private companies is that it often requires extensive legal and technical due diligence to be undertaken and if an issue needs addressing before investment, this can mean it can take several months and sometimes more than a year before completion. The Investment Manager is currently working actively on a number of new opportunities and since the year end the Company has made follow-up investments in Futura Resources and Anglo Saxony Mining as well as one new investment into Azarga Metals.

Investing in mining has numerous technical risks but also geo-political risk which can significantly diminish the value of an otherwise profitable project. Political risk does not just mean the risk of expropriation of a project by a rogue government of a developing nation (which is in fact relatively rare and may be reversed through international arbitration). Just as damaging can be increasingly protracted timetables and licencing issues which are at least as challenging in the developed world. For this reason, the Company will continue to seek to diversify its portfolio not just by way of commodity but also geographically as well, and to seek high returns to compensate for the risks involved.

As well as discovering new attractively priced propositions that have not yet been identified by the wider market, investing in private situations gives more opportunity to structure transactions such as through the use of convertible debt which provides a measure of downside protection whilst maintaining the upside. Typically investment risk is reduced the closer the investment can be to the revenue stream, a feature of royalties, and we will be seeking to add attractively priced royalties to the portfolio, particularly when exploration and reserve upside is considered to be good. In 2018, the Company maintained an interest in the Prognoz silver mine through Polar Acquisition Limited retaining a royalty. In early 2019, the Company acquired a royalty over the coking coal mines of Futura Resources and also received an option to acquire a royalty over Azarga Metals' copper/silver project as part of a financing agreement which included investment in a convertible loan.

Notwithstanding that the current mining market environment is attractive for investing in new mining opportunities, in 2015 the Board introduced a capital returns policy whereby it will allocate cash for distributions to shareholders calculated as being no less than 15% of the aggregate net realised cash gains in the previous financial year following audit. The sale of the majority of the Company's interest in the Prognoz silver project provides the first opportunity to deliver on this policy. Although the majority of the proceeds are still held in Polymetal International plc shares, the Board considers these to be sufficiently liquid as to be considered as cash for the purposes of the policy.

Having considered the alternatives, the Board believes the appropriate way to implement their policy is through a tender offer. Shareholders will receive a tender offer document in May 2019 inviting them to vote on the details. These are likely to include a tender of £4 - £5million representing approximately 25% of the realised gains on Prognoz during the year. The aim is to make the exercise NAV enhancing and to ensure that shareholders who do not take up the offer are not prejudiced. It will also provide a useful liquidity point for shareholders who might otherwise find it difficult to sell shares due to the low liquidity in the Company's shares. The remaining 75% of the gains will be reinvested in accordance with the Company's investment policy.

It is hoped that the opportunity to receive a direct share of the proceeds of a successful realisation will encourage existing shareholders to maintain their holdings in the Company and attract new investors appreciative of the clear visibility of likely future returns from its investment activities, which in turn may help reduce the discount and improve share liquidity. In addition to the capital returns policy, it is hoped that over time the income to be received from royalties, interest on convertible loans and future dividend payments received from investee companies can support a regular dividend or liquidity event by the Company.

Taking into account the latest corporate governance requirements, the Board has put in place a succession plan to refresh its membership while maintaining a degree of continuity. The first director who will step down is Mr Chris Sherwell who will retire at this year's Annual General Meeting ("AGM"). As in previous years all the directors, other than Mr Sherwell, will be subject to re-election at the forthcoming AGM, as now required by the UK Corporate Governance Code. I would like to thank Chris for his significant contribution to the Company since formation. The process to appoint a replacement for Chris is underway and is expected to be completed before the AGM.

Howard Myles  
Chairman  
9 April 2019

**INVESTMENT MANAGER'S REPORT****For the year ended 31 December 2018****Financial Performance**

The audited undiluted Net Asset Value per Ordinary Share ("NAV") as at 31 December 2018 was 56.9 pence, an increase of 0.2% in the year but a decrease of 41.9% from the Company's first NAV calculated on 30 April 2010. During the year the EMIX Global Mining Index was down 5.9% (down 18.9% since 30 April 2010).

For the purpose of calculating the NAV per share, unquoted investments are carried at fair value as at 31 December 2018 as determined by the Directors and quoted investments are carried at last quoted price as at 31 December 2018.

Net assets at 31 December 2018 comprised the following:

	£m	% net assets
Unquoted Investments	40.9	62.0
Quoted Investments	21.1	32.0
Cash and other net assets	4.0	6.0
	<hr/>	<hr/>
	66.0	100.0

**Investment Update****Largest 10 Holdings – 31 December 2018**

	% of NAV
Polymetal International Plc	28.9%
Bilboes Gold Limited	11.9%
Cemos Group Plc	10.5%
Futura Resources Limited (formerly Queensland Coal Investment Holdings Ltd)	10.3%
Polar Acquisition Limited	9.3%
Sarmin Minerals Exploration (formerly Sarmin Minerals Exploration Inc)	5.3%
Black Pearl Limited Partnership	4.2%
Nussir ASA	3.4%
Ivanhoe Mines Limited	2.3%
PRISM Diversified Limited (formerly Ironstone Resources Limited)	2.2%
	<hr/>
	88.3%
Other Investments	5.7%
Cash and other net assets	6.0%
	<hr/>
	100.0%

**Largest 10 Holdings – 31 December 2017**

	% of NAV
Polar Acquisition Limited	37.4%
Bilboes Gold Limited	12.6%
Ivanhoe Mines Limited	11.3%
Cemos Group Plc	9.1%
Metals Exploration Plc	6.8%
Sarmin Minerals Exploration Inc	4.5%
Queensland Coal Investment Holdings Ltd	4.4%
Black Pearl Limited Partnership	3.9%
Ironstone Resources Limited	3.8%
Nussir ASA	3.1%
	<hr/>
	96.9%
Other Investments	1.8%
Cash and other net assets	1.3%
	<hr/>
	100.0%

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

**For the year ended 31 December 2018**

**Investment Update**

At the year end, the Company was 94% invested, holding 16 investments of which the top 10 holdings comprised 88% of the portfolio by value. The portfolio is well diversified both in terms of commodity and the geographical location of the projects. In terms of commodity the portfolio is concentrated on the large liquid markets of gold, silver, metallurgical coal, potash, iron, copper, platinum group metals and nickel. Its projects are located in Australia, Canada, Democratic Republic of Congo, Germany, Indonesia, Madagascar, Mongolia, Morocco, Norway, the Philippines, Republic of Congo, Russia, South Africa and Zimbabwe.

During the first half of 2018, the mining market was flat and then fell back in the second half with the EMIX Global Mining Index down 5.9% over the year in Sterling terms. This reflected weaker commodity prices with silver down 8.5%, gold down 1.6%, iron ore down 1.5%, coking coal down 15.4% and copper down 17.5% during 2018 (all in US dollars).

The first half of 2018 saw the culmination of the two-year reorganisation of the Company's indirect interest in the Tier 1 Prognoz silver project and its sale to Polymetal International Plc ("Polymetal"). This resulted in the Company holding Polymetal shares whilst retaining an interest in the Prognoz project through a 0.9%-1.8% net smelter royalty held by Polar Acquisition Limited ("PAL"). Overall the Company invested US\$15.7 million in Prognoz, and as at 31 December 2018 had realised US\$14.1 million in cash and held 2,324,000 Polymetal shares valued at US\$24.3 million and 47.8% of PAL valued at US\$7.8 million.

Most of the Polymetal shares were initially subject to lock-up and although the lock-up expired in October 2018, the Company has retained the majority of the shares to retain exposure to the market. Operationally, Polymetal has continued to perform well, producing 1,562,000 gold equivalent ounces, exceeding its production guidance for 2018 largely due to the ramp-up of its new Kyzyl gold mine ahead of schedule. It also has a progressive dividend policy whereby 50% of underlying earnings are paid out as dividends resulting in a current dividend yield of approximately 4%. Notwithstanding the high concentration of Polymetal in the portfolio is recognised and holding a large proportion of the assets in quoted mining stocks does not fall strictly within the Company's long term investment strategy. Polymetal is however highly liquid and the shareholding will be sold down as and when the Company requires funds for new investments or if the Investment Manager believes that the shares in Polymetal have become overvalued. Since the year end the shareholding in Polymetal has been sold down such that it represented approximately 21.6% of NAV as at 31 March 2019.

The Company's second largest investment, Bilboes Gold Limited ("Bilboes") completed a pre-feasibility study ("PFS") on its 4.8 million ounce Isabella-McCays-Bubi gold project in Matabeleland, Zimbabwe during 2017. In 2018, Bilboes launched the definitive feasibility study ("DFS"). Infill drilling and a pilot plant programme were both completed successfully during the year and detailed engineering and costing is currently in progress with the aim of completing the DFS in mid-2019. It is anticipated that the mine will initially produce approximately 100,000 ounces of gold per annum from the Isabella and McCays pits, increasing to 200,000 ounces per annum once the Bubi pit is brought into production. The PFS forecast average cash costs for the twelve year mine life of US\$703/ounce gold with the economic model giving an NPV (10%) of US\$167 million with an internal rate of return of 34%.

In December 2017 and February 2018, the Company made its first significant new investment for some time with the investment of A\$10 million in convertible loan notes in Futura Resources Limited. Futura owns the Wilton and Fairhill coking coal projects in the Bowen Basin in Queensland, Australia, which is well known for its high quality coking coal mines. In May 2018 it was announced that Japanese trading house Sojitz Corporation ("Sojitz") had agreed to acquire the nearby Gregory Crinum mine. This was an important milestone for Futura as it has an in principle agreement with Sojitz to process coal produced by Wilton and Fairhill through the coal washing plant at Gregory Crinum which will allow Futura to commence production from Wilton during 2019. Production from Fairhill is then scheduled to commence in 2020 with aggregate coal production ramping-up to a targeted sustainable level of 2.5 million tonnes of coal per annum of saleable processed coal by 2021/2 for at least 25 years. Following the year end the Company acquired a 0.75% Gross Revenue Royalty ("GRR") on production from Wilton and Fairhill for A\$6 million, together with the option to acquire an additional 0.25% GRR for a further A\$2 million.

During 2018, CEMOS Group Plc completed the construction of a cement plant at its Tarfaya project in Morocco albeit delayed by six months. The cement plant commenced production in December 2018 and reported a positive reception by its customers to the quality of cement being produced. At full capacity for the initial Phase 1, targeted to be achieved by the end of 2019, the operation is anticipated to generate over €10m in EBITDA per annum.



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

**For the year ended 31 December 2018**

**Investment Update (continued)**

In September 2018, Sarmin completed a PFS on the Kanga potash project, which is located 50km from Pointe-Noire in the Republic of the Congo (Brazzaville). The PFS adopted a phased approach to the development of Kanga employing solution mining, which will commence with a 400,000 tonne per annum operation with a peak capital cost of US\$410 million, rising to 2.4 million tonnes per annum with further capex. The exceptional mining widths of over 210 metres should result in one of the lowest operating costs per tonne globally with a forecast FOB cost per tonne of Muriate of Potash ("MOP") of US\$53/tonne at full production. Sarmin is currently marketing the project with a view to bringing in a development partner or an outright sale

The main disappointment in the portfolio has been the performance of Metals Exploration plc's Runruno gold mine in the Philippines which produced a total of 46,000 ounces of gold during the year against a target of approximately 100,000 ounces of gold. A new Chief Executive was appointed at the beginning of 2019, who has refreshed the operating team at the mine and it remains to be seen if it will be able to turn the mine around and achieve the desired production level.

During the year the Company also invested £1 million in a convertible loan to Anglo Saxony Mining Limited ("ASM"), which holds the rights to a previously producing tin mine in Germany. This investment funded a metallurgical testwork programme to demonstrate whether a saleable concentrate could be produced from the mine. This programme was successful which led to the Company triggering its option to subscribe for a further £1 million convertible loan to ASM in February 2019 and will be used to fund a Pre-Feasibility Study ("PFS") into the project.

Elsewhere in the portfolio Nussir is well advanced with the definitive feasibility study ("DFS") on its Nussir/Ulveryggen copper project in Norway following the positive pre-feasibility study at the end of 2016 and the award of its Mining Licence in February 2019. The Definitive Feasibility Study is expected to be completed in the third quarter of 2019. In the iron ore sector, Black Pearl continued discussions in China regarding the use of its mine as the basis for a new steel plant in Indonesia and Ironstone continued its policy of moving away from a pure iron ore developer towards a greater focus on process and technology innovation. Ivanhoe Mines has continued to record excellent drilling results from its Kamoa-Kakula project in the Democratic Republic of Congo and in early 2019 announced a positive PFS for a 6 million tonne per year mine at Kakula together with an updated preliminary economic assessment for an expanded Kakula-Kamoa operation at a rate of 18 million tonnes per year.

The outlook for mining and metals continues to be uncertain with the limited recovery seen in 2016 and 2017 seemingly having paused in 2018. This has constrained the number of new mines being brought into production and correspondingly the amount of exploration to discover and define new ore bodies. The limited amount of capital prepared to invest in mining has provided the Company with some excellent opportunities to recycle the proceeds from the sale of Prognoz into attractive projects at realistic prices using structures that give some downside protection. Since the year end the Company has acquired the royalty in the Futura mines, increased its convertible loan in Anglo Saxony Mining and agreed to invest in a convertible loan in Azarga Metals, which has a copper/silver project in Russia. The Investment Manager is currently investigating a number of other advanced opportunities.

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

**Description of Largest Investments at 31 December 2018**

***Polymetal International plc ("Polymetal")***

Polymetal is a leading precious metals mining group operating in Russia and Kazakhstan listed on the London Stock Exchange and Moscow Stock Exchange. The company is a member of FTSE 250, FTSE Gold Mines and MSCI Russia. Polymetal has a portfolio of nine producing gold and silver mines which in 2018 produced 1,562,000 gold equivalent ounces and a pipeline of future growth projects.

***Bilboes Gold Limited ("Bilboes")***

Bilboes is a private Zimbabwean based gold mining company which has a JORC compliant Indicated Mineral Resources of 48 million tonnes grading 2.42 g/t gold and an Inferred Mineral Resource of 10.6 million tonnes grading 2.55 g/t gold containing 3.7 million ounces of gold and a further 1.1 million ounces in Inferred Mineral Resources. A positive pre-feasibility study into a mine producing up to 200,000 ounces per annum was completed in 2017, and a definitive feasibility is due for completion mid-2019.

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

**For the year ended 31 December 2018**

**Description of Largest Investments at 31 December 2018 (continued)**

***Futura Resources Ltd (formerly Queensland Coal Investment Holdings Limited) ("Futura")***

Futura owns the Wilton and Fairhill coking coal projects in the Bowen Basin in Queensland, Australia which hold Measured and Indicated resources of 843 million tonnes of coal. Production is targeted to commence at Wilton in 2019 and at Fairhill in 2020, for a targeted combined sustainable level of 2.5 million tonnes of coal per annum of saleable processed coal by 2021/2 for at least 25 years.

***Cemos Group plc ("Cemos")***

Cemos is a private cement producer 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. As a first step for development, Cemos completed the construction of a cement plant at Tarfaya in December 2018 with a capacity of up to 270,000 tonnes cement per annum.

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

PAL is a private company which holds a 0.9% to 1.8% royalty over the Prognoz silver project ("Prognoz"), 444km north of Yakutsk in Russia, owned by Polymetal. Prognoz has a 256 million ounce silver equivalent Indicated and Inferred Mineral Resource at a grade of 789 g/t silver equivalent. A pre-feasibility study is being undertaken by Polymetal International plc and is expected to be completed in the first half of 2020.

***Sarmin Minerals Exploration Inc ("Sarmin")***

Sarmin is a private company which holds the Kanga potash project, in the Republic of the Congo which has an Indicated Mineral Resource of 4,730 million tonnes grading 17.1% Potassium Chloride ("KCl") containing 810 million tonnes KCl and an Inferred Mineral Resource of 7,160 million tonnes grading 16.7% KCl containing 1,197 million tonnes KCl. A positive pre-feasibility study, completed in September 2018 outlined a phased project employing solution mining, which will commence with a 400,000 tonne KCl per annum operation with a peak capital cost of US\$410 million, rising to 2.4 million KCl tonnes per annum with further capex.

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

Black Pearl is a special purpose vehicle formed to invest in the Black Pearl beach placer iron sands project in West Java, Indonesia. The Black Pearl concession area is 15,000 hectares of which 1,600 hectares 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.

***PRISM Consolidated Limited ("PRISM")***

PRISM 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.

***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 1.14% copper containing 243,000 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 with a definitive feasibility study due in the second half of 2019.

***Ivanhoe Mines Limited ("Ivanhoe")***

Ivanhoe is a company listed on the Toronto Stock Exchange which holds the Kamao-Kakula 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.

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

Metals Exploration is an AIM listed company which owns the Runruno gold mine in the Philippines. The Runruno mine produced 46,000 ounces of gold in 2018 and is in the process of ramping up towards full production of approximately 100,000 ounces of gold per annum.

*Baker Steel Capital Managers LLP*  
*Investment Manager*



**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT  
AT 31 DECEMBER 2018**

<b>Shares /Warrants/ Nominal</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b><u>Listed equity shares</u></b>			
<b>Canadian Dollars</b>			
1,115,000	Ivanhoe Mines Limited	1,519,301	2.30
<b>Canadian Dollars Total</b>		<b>1,519,301</b>	<b>2.30</b>
<b>Great Britain Pounds</b>			
122,760,000	Metals Exploration Plc	491,040	0.74
2,324,000	Polymetal International Plc	19,103,280	28.93
<b>Great Britain Pounds Total</b>		<b>19,594,320</b>	<b>29.67</b>
<b>Total investment in listed equity shares</b>		<b>21,113,621</b>	<b>31.97</b>
<b><u>Debt Instruments</u></b>			
<b>Australian Dollars</b>			
200,000	Indian Pacific Resources Limited Convertible Loan Note	180,880	0.27
200	Futura Resources Limited Convertible Loan Note	6,792,319	10.29
<b>Australian Dollars Total</b>		<b>6,973,199</b>	<b>10.56</b>
<b>Canadian Dollars</b>			
250,500	PRISM Diversified Limited Loan Note 31/12/2018	295,870	0.45
125,000	PRISM Diversified Limited Loan Note	43,660	0.07
<b>Canadian Dollars Total</b>		<b>339,530</b>	<b>0.52</b>
<b>Euro</b>			
807	Cemos Group Plc Convertible Loan Note	3,632,962	5.50
<b>Euro Total</b>		<b>3,632,962</b>	<b>5.50</b>
<b>Great Britain Pounds</b>			
1,000,000	Anglo Saxony Mining Limited Convertible Loan Note	1,007,756	1.53
<b>Great Britain Pounds Total</b>		<b>1,007,756</b>	<b>1.53</b>
<b>United States Dollars</b>			
440,000	Bilboes Holdings Convertible Loan Note	946,353	1.43
220,000	Bilboes Holdings Loan Note	168,781	0.26
7,009,332	Black Pearl Limited Partnership Loan Note	2,749,620	4.16
<b>United States Dollars Total</b>		<b>3,864,754</b>	<b>5.85</b>
<b>Total investments in debt instruments</b>		<b>15,818,201</b>	<b>23.96</b>

**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT (CONTINUED)  
AT 31 DECEMBER 2018**

<b>Shares /Warrants/ Nominal</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b><u>Unlisted equity shares and warrants</u></b>			
<b>Australian Dollars</b>			
20,011,015	Indian Pacific Resources Limited	193,642	0.29
<b>Australian Dollars Total</b>		<b>193,642</b>	<b>0.29</b>
<b>Canadian Dollars</b>			
1,000,000	PRISM Diversified Limited Warrants 31/12/2023	30,044	0.05
13,083,936	PRISM Diversified Limited	1,474,399	2.23
<b>Canadian Dollars Total</b>		<b>1,504,443</b>	<b>2.28</b>
<b>Great Britain Pounds</b>			
2,000,000	Anglo Saxony Mining Limited	200,000	0.30
1,594,646	Celadon Mining Limited	15,947	0.02
24,004,167	Cemos Group Plc	3,324,577	5.04
<b>Great Britain Pounds Total</b>		<b>3,540,524</b>	<b>5.36</b>
<b>Norwegian Krone</b>			
12,267,628	Nussir ASA	2,220,894	3.36
<b>Norwegian Krone Total</b>		<b>2,220,894</b>	<b>3.36</b>
<b>United States Dollars</b>			
17,151,567	Archipelago Metals Limited	-	-
451,445	Bilboes Gold Limited	7,880,630	11.94
4,244,550	Gobi Coal & Energy Limited	66,602	0.10
1,000,000	Midway Resources International	39,228	0.06
15,531	Polar Acquisition Limited	6,163,793	9.34
55,419	Sarmin Minerals Exploration	3,478,362	5.27
<b>United States Dollars Total</b>		<b>17,628,615</b>	<b>26.71</b>
<b>Total Unlisted equity shares and warrants</b>		<b>25,088,118</b>	<b>38.00</b>
<b>Financial assets held at fair value through profit or loss</b>		<b>62,019,940</b>	<b>93.93</b>
<b>Other Assets &amp; Liabilities</b>		<b>4,007,844</b>	<b>6.07</b>
<b>Total Equity</b>		<b>66,027,784</b>	<b>100.00</b>

**STRATEGIC REPORT****Company Structure**

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 2018 issued by the Guernsey Financial Services Commission (“GFSC”). The Company is not authorised or regulated as a collective investment scheme by the Financial Conduct Authority. The Company is subject to the Listing Rules and the Disclosure and Transparency Rules of the UK Listing Authority. The Articles of the Company contain provisions as to the life of the Company. At the Annual General Meeting (“AGM”) falling in 2018 and at each third AGM convened by the Board thereafter, the Board will propose a special resolution to discontinue (the Company) which if passed will require the Directors, within 6 months of the passing of the special resolution, to submit proposals to shareholders that will provide shareholders with an opportunity to realise the value of their Ordinary Shares. Shareholders voted against discontinuing the Company at the 2018 AGM, the next discontinuation vote will be held in 2021.

**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.

Subject to meeting solvency requirements, if the Ordinary Shares trade at a discount in excess of 15 per cent to their NAV, the Board will consider whether the Company should buy back its own Ordinary Shares, taking into account conditions in the stock market and mining markets.

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 2018, the Board comprised of four Directors (2017: four Directors).

**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 Managers Directives (“AIFMD”). The Investment Manager is a specialist natural resources asset management and advisory firm operating from its head office in London and its branch office in Sydney. It has an experienced team of fund managers covering the precious metals, base metals and minerals sectors worldwide, both in relation to commodity equities and the commodities themselves.

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

**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 the development progression of the investee companies' projects and through exploiting value inherent in market inefficiencies and pricing anomalies.

**Investment Policy**

The core of the Company's strategy is to invest in natural resources companies, predominantly unlisted, that the Investment Manager considers to be undervalued and that have strong fundamentals and attractive growth prospects. Natural resources companies, for the purposes of the investment policy, are those involved in the exploration for and production of base metals, precious metals, bulk commodities, thermal and metallurgical coals, industrial minerals, 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, and within limits set by the Board, incur leverage for liquidity purposes by borrowing funds from banks, broker-dealers or other financial institutions or entities. The costs of leverage will affect the operating results of the Company.

During the current and prior year, no leverage was used by the Company.

**Investment Restrictions**

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

- between 40 and 100 per cent of the value of its gross assets in unlisted equities or equity-related securities;
- up to 50 per cent of the value of its gross assets in listed equities or equity-related securities;
- up to 10 per cent of the value of its gross assets in cash or cash-like holdings; and
- 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 of 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 2018.

**Performance**

The Company monitors NAV as a key performance indicator. An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement on page 3 and the Investment Manager's Report on pages 4 to 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 45 to 51.

The Company's investment activities also expose it to a variety of financial risks including in particular foreign currency risk. The foreign exchange risk can be affected by Brexit, but the impact of Brexit, hard or soft, is not quantifiable at the time of publication of these financial statements. A sensitivity to foreign exchange is presented on pages 46 to 47.

**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.

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 Manager'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 2021. The Board has selected 2021 as the appropriate timeframe to conduct the analysis as this is when the next discontinuation vote will take place. 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 years, being the period until the discontinuation vote at the AGM in 2021 and one year thereafter. 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 previously 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 recovery in the past three years. These trends reflect the initial 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.

Notwithstanding this, it is a feature of closed-ended investment companies such as BSRT that the greatest risk to viability is that the investments lose value to an extent where the 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 2021 AGM. The key factor in this assessment is that currently the Company’s greatest expense is the management fee which is calculated on the market capitalisation of the Company. Should net assets fall, market capitalisation would be expected to fall in line, such that the costs of the Company would also fall.

As a result the Board of Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

**Future Developments**

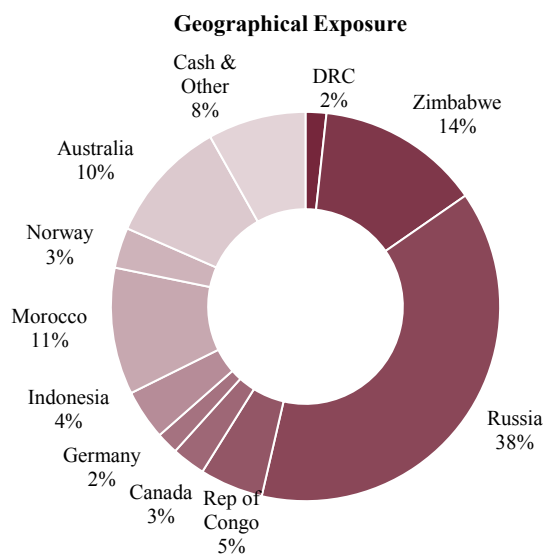
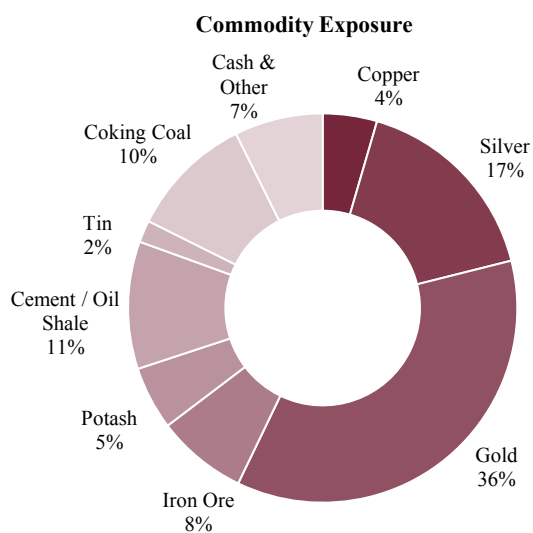
The future performance of the Company depends upon the success of the Company’s investment strategy and, as to its share price and market rating, partly on investors’ view of mining related investments as an asset class. Further comments on the outlook for the Company can be found in the Chairman’s Statement on page 3 and the Investment Manager’s Report on pages 4 to 7.

Signed on behalf of the Board of Directors by:

Howard Myles

Christopher Sherwell

9 April 2019



Data at 31 December 2018

**BOARD OF DIRECTORS**

The Board of Directors is listed below. Mr Sherwell was appointed on 9 March 2010; all other Directors were appointed on 12 March 2010. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed, but taking into account the latest corporate governance requirements, the Board has put in place a succession plan to refresh its membership while maintaining a degree of continuity. The first director who will step down is Mr Chris Sherwell who will retire at this year's AGM.

**Howard Myles (aged 69):** Howard Myles currently acts as a non-executive director of a number of investment companies. Howard was a partner in Ernst & Young from 2001 until 2007 and was responsible for the Investment Funds Corporate Advisory team. He was previously with UBS Warburg from 1987 to 2001. Howard began his career in stockbroking in 1971 as an equity salesman and joined Touche Ross in 1975 where he qualified as a chartered accountant. In 1978 he joined W. Greenwell & Co. in the corporate broking team and in 1987 moved to SG Warburg Securities where he was involved in a wide range of commercial and industrial transactions in addition to leading UBS Warburg's corporate finance function for investment funds. He is a fellow of the Institute of Chartered Accountants and of The Chartered Institute for Securities and Investments.

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

**Charles Hansard (aged 70):** Charles Hansard has over 31 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 69):** 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.

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

**Christopher Sherwell (aged 71):** Christopher Sherwell has worked since 2004 as a senior Non-Executive Director based in Guernsey with roles in the offshore finance industry. Prior to January 2004, Christopher was 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.

Christopher is the Chairman of the Audit Committee of the Company. As noted in the Chairman's Statement, as part of an orderly succession plan, Christopher will not stand for re-election at this year's AGM.

**DIRECTORS' REPORT****For the year ended 31 December 2018**

The Directors of the Company present their ninth annual report and the audited financial statements for the year ended 31 December 2018.

**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 2018 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 2018, the Company's NAV per Ordinary Share increased by 0.2% (2017: 18.6%). This compares with a drop in the EMIX Global Mining Index (capital return in Sterling terms) of 5.9% (2017: rise of 20.7%). A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 4 to 7.

The results for the year are shown in the Statement of Comprehensive Income on pages 32 and 33 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 31.

**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 has a realised net gain per the Statement of Comprehensive Income and realised an aggregate cash gain for the year ended 31 December 2018.

As a result of the reorganisation of Polar Acquisition Limited during the year, the Company received cash and share dividends of Polymetal International Plc ("Polymetal") shares totalling £20.4 million. The Board considers the Polymetal shares to be sufficiently liquid so as to be considered in the calculation of net realised cash gains in the spirit of the policy and therefore is recommending to shareholders a distribution of £4 - £5million being approximately 25% of the net realised gain to be made via a tender offer. Details of the proposed tender offer are expected to be posted to shareholders in May 2019.

**Directors and their interests**

The Directors of the Company who served during the year and up until the date of signing of the financial statements were:

Howard Myles (Chairman)  
Charles Hansard  
Clive Newall  
Christopher Sherwell

Biographical details of each of the Directors are presented on page 15.

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 up until the date of signing were:

	<b>Number of Ordinary Shares 2018</b>	<b>Number of Ordinary Shares 2017</b>
Christopher Sherwell	104,198	104,198
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.

**DIRECTORS' REPORT (CONTINUED)****For the year ended 31 December 2018****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.

**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 2018, of which 700,000 Ordinary Shares are held in Treasury.

**Significant Shareholdings**

As at 31 December 2018, the Company had received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

<b>Ordinary Shareholder</b>	<b>Number of Ordinary Shares 000's</b>	<b>% of Total Shares in issue</b>
Bank of New York Nominees Limited*	22,549	19.30
Vidacos Nominees Limited*	22,404	19.18
Citibank Nominees Limited*	14,353	12.29
Harewood Nominees Limited*	14,171	12.13
Nortrust Nominees Limited*	12,119	10.37
BNY Nominees Limited*	7,670	6.57
Rock Nominees Limited*	3,677	3.15

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

The Investment Manager, Baker Steel Capital Managers LLP had an interest in 10,000 Management Ordinary Shares at 31 December 2018 (31 December 2017: 10,000).

Baker Steel Global Funds SICAV – Precious Metals Fund (“Precious Metals Fund”) had an interest in 7,469,609 Ordinary Shares in the Company at 31 December 2018 (2017: 7,469,609). These shares are included in Vidacos Nominees Limited above. Precious Metals Fund has the same Investment Manager as the Company.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2018**

**Statement of Directors' Responsibilities**

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

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

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the 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.
- The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

**Auditor Information**

The Directors at the date of approval of this Report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the reasonable steps he 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 consider it appropriate to adopt the going concern basis of account. The Board is 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 2018, approximately 38% 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 Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance (the "GFSC Code") provides a framework which applies to all companies in the regulated finance sector in Guernsey. The Company reports against the UK Corporate Governance Code (the "Code"), which meets the requirements of the GFSC Code. The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance that it considers to be appropriate for an investment company in order to comply with the principles of the Code. The Code is available on the FRC's website [www.frc.org.uk](http://www.frc.org.uk) and the Company has made its corporate governance practices publicly available and these can be found at [www.bakersteelresourcestrust.com](http://www.bakersteelresourcestrust.com). The disclosures in this statement report against the provisions of the Code, as revised in 2016.

**DIRECTORS' REPORT (CONTINUED)**

**For the year ended 31 December 2018**

**Corporate Governance Compliance (continued)**

The Board has noted the publication of a further revised UK Corporate Governance Code in July 2018, which applies to financial years beginning on or after 1 January 2019, and is considering the Company's governance framework in light of the new provisions. Throughout the year ended 31 December 2018, the Company has complied with the recommendations of the Code except as set out below.

The 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

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, and that they have sufficient time to fulfil their obligations to the Company.

- 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 2018****Corporate Governance Compliance (continued)****Operation and composition of the Board (continued)**

- Performance appraisal

The performance of the Board and the Audit Committee is 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	
	Held	Attended	Held	Attended
Howard Myles	4	4	4	4
Christopher Sherwell	4	4	4	4
Charles Hansard	4	4	4	N/A
Clive Newall	4	4	4	4

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 2018 the total remuneration of the Directors was £115,000 (2017: £115,000), with £28,750 (2017: £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 2018**

**Corporate Governance Compliance (continued)**

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

**Committees**

The Committees of the Board have formal Terms of Reference which are available on the Company's webpage <http://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 key 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.

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 them 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 2018**

**Corporate Governance Compliance (continued)**

**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**

Since 31 December 2018 the Company has acquired a 0.75% gross revenue royalty over Futura Resources Limited's two coking coal projects in Australia for A\$6 million; subscribed for a further £1 million convertible loan notes in Anglo Saxony Mining; and agreed to subscribe US\$3 million in convertible loan notes in Azarga Metals Corp.

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

9 April 2019

**REPORT OF THE AUDIT COMMITTEE**  
**For the year ended 31 December 2018**

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, considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the 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 considers 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. 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 2018**

Through its meetings during the year ended 31 December 2018 and its review of the Company's Annual Report and Audited Financial Statements, the Audit Committee considered the following significant risks as well as the principal risks and uncertainties described on pages 12 and 13.

<b>Risk Considered</b>	<b>How addressed</b>
The accuracy of the Company's Annual Report and Financial Statements	Review of the Annual Report and Audited Financial Statements, discussions with the external auditor and meetings with the auditor to understand the audit approach and findings.
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 BDO Limited ("BDO").

During 2017, the Audit Committee on behalf of the Board of Directors undertook a review of the Company's audit arrangement. Following a tender process, BDO were appointed as the Company's independent external auditor. The appointment was effective 5 September 2017.

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

		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
Audit Fees	Audit Fees	45,000	45,000
Non audit Fees	Agreed Upon Procedures	7,500	*7,500
<b>Total Fees</b>		<b>52,500</b>	<b>52,500</b>

*\*Paid to Ernst and Young LLP*

**REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

**For the year ended 31 December 2018**

The external auditor provided an audit planning report in advance of the annual audit. The Audit Committee has the opportunity to question and challenge the auditor in respect of their work. Based on levels of interaction with the auditor, and the assessment of auditor reporting, the Audit Committee is satisfied that the reappointment of the external auditor should be proposed at the Annual General Meeting of the Company.

In conclusion, the Audit Committee is satisfied that the external auditor is independent. The Audit Committee continues to assess the effectiveness of the external auditor, considering the audit planning, adherence to audit standards, competence of the audit team and feedback from the Investment Manager and following the completion of the audit the Audit Committee will make a recommendation regarding the continued appointment of BDO.

**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 2018**

**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 2018, approximately 38% 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

9 April 2019

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

**Opinion**

We have audited the financial statements of Baker Steel Resources Trust Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 12 and 13 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 18 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement on page 18 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 13 and 14 in the annual report as to how they have assessed the prospects of the Company, 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 Company 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.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**For the year ended 31 December 2018**

In arriving at our audit opinion on the financial statements, the key audit matter that had the greatest effect on our audit is included in the table below. In addition, we have set out how we tailored our audit to address this specific area in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How we addressed the key audit matter in the audit
<p>Valuation of unlisted investments including unrealised gains/(losses)</p> <p>Refer to the accounting policies on pages 36 - 39 and Note 3 to the Financial Statements.</p> <p>The majority (66.0%: 2018, 81.8%: 2017) of the carrying value of the investments relates to the Company's holdings in unquoted investments, which are valued using different valuation techniques as explained in Note 3 (page 43).</p> <p>The valuation is subjective, with a high level of judgment and estimation linked to the determination of fair value with limited market information available.</p> <p>As a result of the subjectivity, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model being used.</p> <p>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 members.</p>	<p>We considered the processes, policies and methodologies used by management for fair valuing quoted investments held by the Company including reviewing the hierarchy of application of valuation principles.</p> <p>We performed the following substantive procedures for all unlisted investments:</p> <ul style="list-style-type: none"> <li>• Agreed the manager's application of valuation techniques as appropriate to the circumstances of the asset and the accounting policies applied:</li> <li>• Agreed the inputs into the models to independent sources and evaluated whether all key terms of the agreements had been considered:</li> <li>• Corroborated to independent sources market volatility rates used in each model:</li> <li>• Recalculated management's applied basket of indices for each investment which had an Index valuation:</li> <li>• For those investments which used recent Investment as a basis for recalibrating inputs to the valuation model, we considered if there were any material changes in the market or changes in the performance of the Investee Company affecting the fair value of the investment at year end.</li> <li>• Agreed the valuation per the models to the financial statements.</li> </ul> <p>Our work also included consideration of events which occurred subsequent to the year end until the date of this audit report.</p>

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

For planning, we considered materiality to be the level by which misstatements individually or in aggregate, including omissions, could influence the economic decisions of the relevant users. Based on our professional judgment, we determined materiality for the financial statements as a whole to be £1,187,000, which is based on a level of 1.75% of total assets (2017 £1,073,000, which was based on 1.75% of total assets). We considered total assets to be the most appropriate benchmark due to the Company being an investment fund with the objective of long-term capital growth.

We considered the application of materiality at the individual account or balance level and set an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. This performance materiality has been set at £830,900 which is 70% of materiality (2017: £643,800 which was 60% of materiality). This has been set based upon the control environment in place, the directors' assessment of risk and the fact that the main item on the accounts being unlisted investments which involves high degree of estimations and judgements.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**For the year ended 31 December 2018**

**Our application of materiality (continued)**

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply certain trading activities, such as sensitive overhead expenses. Specific materiality has been determined on the basis of 10% of materiality being £118,700 (2017: 5% of materiality £53,650 given it was the first year as our appointment as auditor).

We agreed with the Board of Directors that we would report all audit differences in excess of £59,350 (2017: £37,555).

**An overview of the scope of our audit**

We tailored the scope of our audit taking into account the nature of the Company's investments, involvement of the Manager and the company Administrator, the accounting and reporting environment and the industry in which the Company operates. In designing our overall audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment we considered the Company's interaction with the Manager and the company administrator. We considered the control environment in place at the Manager and the company administrator to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to address specifically the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 18 – the statement given by the directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 23 - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 18 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**For the year ended 31 December 2018**

**Matters on which we are required to report by exception (continued)**

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Other matters which we have agreed to address**

Following the recommendation of the Audit Committee, we were appointed by the Board on 4 December 2017 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years.

The non-audit services prohibited by the FRC's Ethical Standards were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Richard Michael Searle FCA**

For and on behalf of BDO Limited  
Chartered Accountants and Recognised Auditor  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey  
9 April 2019

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Notes	2018 £	2017 £
<b>Assets</b>			
Cash and cash equivalents	9	3,811,921	1,060,077
Other receivables		385,659	15,406
Financial assets held at fair value through profit or loss	3	62,019,940	65,070,244
<b>Total assets</b>		<b>66,217,520</b>	<b>66,145,727</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Directors' fees payable	12	28,750	28,750
Management fees payable	7,12	75,370	74,679
Administration fees payable	6	16,731	54,221
Audit fees payable		45,050	45,050
Other payables		18,073	5,984
Custodian fees payable		5,762	5,587
<b>Total liabilities</b>		<b>189,736</b>	<b>214,271</b>
<b>Equity</b>			
Management Ordinary Shares	10	10,000	10,000
Ordinary Shares	10	81,024,525	81,024,525
Profit and loss account		(15,006,741)	(15,103,069)
<b>Total equity</b>		<b>66,027,784</b>	<b>65,931,456</b>
<b>Total equity and liabilities</b>		<b>66,217,520</b>	<b>66,145,727</b>
Net Asset Value per Ordinary Share (in Pence) – Basic and diluted	13	56.9	56.8

The financial statements on pages 31 to 56 were approved and authorised for issue by the Board of Directors on 9 April 2019 and signed on its behalf by:

Howard Myles

Christopher Sherwell



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	Year ended 2018 Revenue £	Year ended 2018 Capital £	Year ended 2018 Total £
<b>Income</b>				
Facility & Guarantee fee	11	358,951	-	358,951
Net gain on financial assets at fair value through profit or loss	3	20,693,637	(19,614,324)	1,079,313
Foreign exchange gain		-	65,492	65,492
<b>Net income</b>		<b>21,052,588</b>	<b>(19,548,832)</b>	<b>1,503,756</b>
<b>Expenses</b>				
Management fees	7,12	928,850	-	928,850
Directors' fees	12	115,000	-	115,000
Administration fees	6	100,111	-	100,111
Custody fees		71,639	-	71,639
Broker fees		38,236	-	38,236
Other expenses	8	80,444	-	80,444
Audit fees		52,500	-	52,500
Legal fees		4,408	-	4,408
Directors' expenses		16,240	-	16,240
<b>Total expenses</b>		<b>1,407,428</b>	<b>-</b>	<b>1,407,428</b>
<b>Net gain/(loss) for the year</b>		<b>19,645,160</b>	<b>(19,548,832)</b>	<b>96,328</b>
<b>Net gain for the year per Ordinary Share:</b>				
Basic and diluted (in pence)	13	16.9	(16.8)	0.1

In the year ended 31 December 2018 there were no other gains or losses than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Statement of Comprehensive Income follows the recommendations of the AIC Statement of Recommended Practice. The Company follows this element of the AIC practice only.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	Year ended 2017 Revenue £	Year ended 2017 Capital £	Year ended 2017 Total £
<b>Income</b>				
Other income		30,789	-	30,789
Net gain on financial assets at fair value through profit or loss	3	-	11,491,606	11,491,606
Net foreign exchange gain		-	87,966	87,966
<b>Net income</b>		<b>30,789</b>	<b>11,579,572</b>	<b>11,610,361</b>
<b>Expenses</b>				
Management fees	7,12	768,116	-	768,116
Directors' fees	12	115,000	-	115,000
Administration fees	6	96,711	-	96,711
Custody fees		69,537	-	69,537
Broker fees		60,641	-	60,641
Other expenses	8	57,950	-	57,950
Audit fees		52,500	-	52,500
Legal fees		44,560	-	44,560
Directors' expenses		15,229	-	15,229
Interest expenses		6,451	-	6,451
<b>Total expenses</b>		<b>1,286,695</b>	<b>-</b>	<b>1,286,695</b>
<b>Net (loss)/gain for the year</b>		<b>(1,255,906)</b>	<b>11,579,572</b>	<b>10,323,666</b>
<b>Net (loss)/gain for the year per Ordinary Share:</b>				
Basic and diluted (in pence)	13	(1.1)	10.0	8.9

In the year ended 31 December 2017 there were no other gains or losses than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Statement of Comprehensive Income follows the recommendations of the AIC Statement of Recommended Practice. The Company follows this element of the AIC practice only.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Management Ordinary Shares £</b>	<b>Ordinary Shares £</b>	<b>Treasury Shares £</b>	<b>Profit and loss account (Revenue) £</b>	<b>Profit and loss account (Capital) £</b>	<b>Total £</b>
Balance as at 1 January 2017	10,000	81,165,017	(140,492)	(8,284,845)	(17,141,890)	55,607,790
Net (loss)/gain for the year	-	-	-	(1,255,906)	11,579,572	10,323,666
<b>Balance as at 31 December 2017</b>	<b>10,000</b>	<b>81,165,017</b>	<b>(140,492)</b>	<b>(9,540,751)</b>	<b>(5,562,318)</b>	<b>65,931,456</b>
Net gain/(loss) for the year	-	-	-	19,645,160	(19,548,832)	96,328
<b>Balance as at 31 December 2018</b>	<b>10,000</b>	<b>81,165,017</b>	<b>(140,492)</b>	<b>10,104,409</b>	<b>(25,111,150)</b>	<b>66,027,784</b>
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 2018**

	Notes	Year ended 2018 £	Year ended 2017 £
<b>Cash flows from operating activities</b>			
Net gain for the year		96,328	10,323,666
<i>Adjustments to reconcile net gain for the year to net cash used in operating activities:</i>			
Interest expense		-	6,451
Net gain on financial assets at fair value through profit or loss*	3	(1,079,313)	(11,491,606)
Net (increase)/decrease in receivables		(366,115)	101,754
Net (decrease)/increase in payables		(24,535)	33,448
		(1,373,635)	(1,026,287)
Interest received/(paid)		300,459	(177)
Dividend received		1,045,972	-
<b>Net cash used in operating activities</b>		<b>(27,204)</b>	<b>(1,026,464)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss		(5,380,263)	(9,542,851)
Sale of financial assets at fair value through profit or loss		8,159,311	11,079,780
<b>Net cash provided by investing activities</b>		<b>2,779,048</b>	<b>1,536,929</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,751,844</b>	<b>510,465</b>
Cash and cash equivalents at the beginning of the year		1,060,077	549,612
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>3,811,921</b>	<b>1,060,077</b>

\* The net gain includes £19,343,068 of dividend income which was received in specie through the granting of shares in Polymetal Plc.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. GENERAL INFORMATION**

Baker Steel Resources Trust Limited (the “Company”) is a closed-ended investment company with limited liability incorporated and domiciled on 9 March 2010 in Guernsey under the Companies (Guernsey) Law, 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors Law and the Registered Collective Investment Scheme Rules 2018 issued by the Guernsey Financial Services Commission (“GFSC”). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. The Company’s Ordinary and Subscription Shares were admitted to the Premium Listing Segment of the Official List on 28 April 2010.

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements have been prepared on a historic cost basis except for Financial Instruments at Fair Value Through Profit or Loss in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The financial statements have been prepared on a going concern basis.

The Company’s functional currency is the Great Britain pound Sterling (“£”), being the currency in which its Ordinary Shares are issued and in which returns are made to shareholders. The presentation currency is the same as the functional currency. The financial statements have been rounded to the nearest £. The Company invests in companies around the world whose shares are denominated in various currencies.

Income encompasses both revenue and capital gains/losses. For a listed investment company it is necessary to distinguish revenue from capital for the purpose of determining the distribution. Revenue includes items such as dividends, interests, fees and other equivalent items. Capital is the return, positive or negative, from holding investments other than that part of the return that is revenue.

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

**New Standards not yet effective**

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2019 which will be adopted from their effective date. The Directors consider there to be no material impact to the Company.

**IFRS 9 Financial Instruments**

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces the IAS 39 Financial Instruments: Recognition and Measurement.

Although the application of IFRS 9 has resulted in changes to the classification of financial assets and liabilities, there has been no impact on the carrying values of such financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**IFRS 9 Financial Instruments (continued)**

The following table summarises the financial assets and liabilities held by the Company, the treatment under IAS 39, the new treatment under IFRS 9 and the impact on the financial statements at 1 January 2018.

<b>Financial Assets</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39 at 1 January 2018 £</b>	<b>New carrying amount under IFRS 9 at 1 January 2018 £</b>
Investments	Fair value through profit or loss	Fair value through profit or loss	65,070,244	65,070,244
Other receivables	Loans and receivables	Amortised cost	15,406	15,406
Cash and cash equivalents	Loans and receivables	Amortised cost	1,060,077	1,060,077
<b>Financial Liabilities</b>				
Other payables	Amortised cost	Amortised cost	214,271	214,271

**Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI") – debt measurement;
- FVOCI – equity investment; or
- Fair value through profit or loss ("FVTPL")

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company only has financial assets that are classified as measured at amortised cost and at FVTPL.

**Financial assets held at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributed to its acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses as detailed below.

**FVTPL**

A financial asset at FVTPL is initially measured at fair value. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**Impairment of financial assets**

IFRS 9 has introduced the expected credit loss ("ECL") model which brings forward the timing of impairments. Under IFRS 9 for trade receivables the Company has applied the simplified model. Under the simplified approach the requirement is to always recognise lifetime ECL. Under the simplified approach there is no need to monitor significant increases in credit risk and measure lifetime expected credit losses at all times.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**IFRS 9 Financial Instrument (continued)**

**Impairment of financial assets (continued)**

As at 31 December 2017, there were no trade receivables, and accordingly no change required to the opening retained earnings at 1 January 2018 on transition to IFRS 9.

For other receivables the Directors have concluded that any expected credit loss on other receivables would be highly immaterial on the basis that the other receivables will be settled by way of conversion into a fixed number of convertible loan notes within Cemos.

**Financial liabilities**

These comprise of payables and are classified at amortised cost, and are initially measured at fair value, and subsequently stated at amortised cost using the effective interest method.

**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.

**(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 and is therefore considered to be an investment entity and therefore does not consolidate its subsidiaries.

In making their assessment the Directors have considered the other income from the Cemos guarantee. As the guarantee was to protect the investment in Cemos the income has been assessed as being in the nature of the investment.

**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 16 of these financial statements. Investments in subsidiaries are carried at fair value through profit or loss as they are held as part of the investment portfolio which is evaluated on a fair value basis.

**Associates**

The Directors consider that entities over which the Company exercises significant influence, including where it holds between 20% and 50% 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. These are disclosed in Note 15 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. Investments in associates are carried at fair value as they are held as part of the investment portfolio which is evaluated on a fair value basis.

**Going Concern**

As described in the Directors' 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**b) Significant accounting judgements and estimates (continued)**

**(ii) Estimates and assumptions**

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

**(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. Please refer to Note 3 for further information.

**c) Interest income and expense**

Bank interest income and interest expense are recognised on an accruals basis.

**d) Expenses**

All expenses are recognised on an accruals basis.

**e) 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.

**f) Segment information**

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

**g) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<b>Investment Summary:</b>	<b>Year ended 2018</b>	<b>Year ended 2017</b>
	<b>£</b>	<b>£</b>
Opening book cost	50,780,732	54,964,732
Purchases at cost	24,723,331	9,542,851
Proceeds on sale of investments	(8,159,311)	(11,079,780)
Realised gains/(losses)	3,408,941	(2,647,071)
Closing cost	70,753,693	50,780,732
Unrealised (losses)/gains	(8,733,753)	14,289,512
<b>Financial assets held at fair value through profit or loss</b>	<b>62,019,940</b>	<b>65,070,244</b>

The following table analyses net gains/ (losses) on financial assets at fair value through profit or loss for the years ended 31 December 2018 and 31 December 2017.

	<b>Year ended 2018</b>	<b>Year ended 2017</b>
	<b>£</b>	<b>£</b>
<b>Financial assets at fair value through profit or loss</b>		
<i>Realised gains/(losses) on:</i>		
- Listed equity shares	3,358,649	(2,446,616)
- Unlisted equity shares	-	(269,983)
- Debt instruments	72,118	69,528
- Warrants	(21,826)	-
	3,408,941	(2,647,071)
<i>Movement in unrealised gains/losses on:</i>		
- Listed equity shares	(5,291,074)	4,286,190
- Unlisted equity shares	(19,067,970)	9,805,381
- Debt instruments	1,284,890	51,428
- Warrants	50,889	(4,322)
	(23,023,265)	14,138,677
Net (loss)/gain on financial assets at fair value through profit or loss	(19,614,324)	11,491,606
Dividend income	20,693,637	-
<b>Total net gain on financial assets at fair value through profit or loss</b>	<b>1,079,313</b>	<b>11,491,606</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2018.

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	21,113,621	-	-	21,113,621
Unlisted equity shares	-	-	25,058,074	25,058,074
Warrants	-	-	30,044	30,044
Debt instruments	-	-	15,818,201	15,818,201
	21,113,621		40,906,319	62,019,940

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2017.

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	11,862,289	-	-	11,862,289
Unlisted equity shares	-	-	43,595,292	43,595,292
Warrants	-	-	981	981
Debt instruments	-	-	9,611,682	9,611,682
	11,862,289	-	53,207,955	65,070,244

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in net gain on financial assets and liabilities at fair value through profit or loss held at 31 December 2018.

<b>31 December 2018</b>	<b>Unlisted Equities</b> £	<b>Debt instruments</b> £	<b>Warrants</b> £	<b>Total</b> £
Opening balance 1 January 2018	43,595,292	9,611,682	981	53,207,955
Purchases of investments	530,752	4,849,511	-	5,380,263
Change in net unrealised (losses)/gains	(19,067,970)	1,284,890	50,889	(17,732,191)
Realised gains/(losses)	-	72,118	(21,826)	50,292
Closing balance 31 December 2018	25,058,074	15,818,201	30,044	40,906,319
Unrealised (losses)/gains on investments still held at 31 December 2018	(7,790,230)	93,270	30,044	(7,666,916)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in net gain on financial assets and liabilities at fair value through profit or loss held at 31 December 2017.

<b>31 December 2017</b>	<b>Unlisted Equities</b>	<b>Debt instruments</b>	<b>Warrants</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening balance 1 January 2017	37,819,837	4,037,448	5,303	41,862,588
Purchases of investments	957,241	8,019,379	-	8,976,620
Sale of investments	(4,717,184)	(2,566,101)	-	(7,283,285)
Change in net unrealised gains	9,805,381	51,428	(4,322)	9,852,487
Realised (losses)/gains	(269,983)	69,528	-	(200,455)
Closing balance 31 December 2017	43,595,292	9,611,682	981	53,207,955
Unrealised gains / (losses) on investments still held at 31 December 2017	11,277,740	(1,191,620)	(20,845)	10,065,275

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

In determining an investment's position within the fair value hierarchy, the Directors take into consideration the following factors:

Investments whose values are based on quoted market prices in active markets are classified within Level 1. These include listed equities with observable market prices. The Directors do not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

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 no Level 2 investments at 31 December 2018 (31 December 2017: none).

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 below. The inputs used by the Directors in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments if representative in volume and nature, completed or pending third-party transactions in the underlying investment of comparable issuers, subsequent rounds of financing, recapitalisations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted with a discount to reflect illiquidity and/or non-transferability in the absence of market information.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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, having taken into account of any change in market conditions and the performance of the investee company between the transaction date and the valuation date. 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.

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

*i. Transaction*

Where there have been transactions within the past 6 months either through a capital raising by the investee company or known secondary market transactions, representative in volume and nature and conducted on an arm’s length basis, this is taken as the primary driver for valuing Level 3 investments, having taken into account of any change in market conditions and the performance of the investee company between the transaction date and the valuation date.

*ii. IndexVal*

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

*iii. Royalty Valuation Model*

Royalties are valued on projected cashflows taking into account expected time to production and development risk and adjusted for movement in commodity prices.

*iv. Warrants*

Warrants are valued using a simplified Black Scholes model taking into account time to expiry, exercise price and volatility. Where there is no established market for the underlying shares the average volatility of the companies in that investment’s basket of IndexVal comparables is utilised in the Black Scholes model.

*v. Convertible loans*

Convertible loans are valued at fair value through profit or loss, taking into account credit risk and the value of the conversion aspect.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Quantitative information of significant unobservable inputs – Level 3

Description	2018 £	Valuation technique	Unobservable input	Range (weighted average)
Unlisted Equity	9,223,833	Transaction	Private transactions	n/a
Unlisted Equity	9,355,029	IndexVal	Change in IndexVal	n/a
Unlisted Equity	6,163,793	Royalty Valuation model	Exploration results	n/a
Unlisted Equity	315,419	Other	Exploration results, study results, financings	n/a
<b>Debt Instruments</b>				
Black Pearl Limited Partnership	2,749,620	Valued at mean estimated recovery	Estimated recovery range	+/- 50%
Other Convertible Debentures/Loans	13,068,581	Valued at fair value with reference to credit risk and value of embedded derivative	Rate of Credit Risk	20%-40%
<b>Warrants</b>	30,044	Simplified Black Scholes Model	Volatilities	50%
Description	2017 £	Valuation technique	Unobservable input	Range (weighted average)
Unlisted Equity	33,443,276	Transaction	Private transactions	n/a
Unlisted Equity	10,009,161	IndexVal	Change in IndexVal	n/a
Unlisted Equity	142,854	Other	Exploration results, study results, financings	n/a
<b>Debt Instruments</b>				
Black Pearl Limited Partnership	2,589,715	Valued at mean estimated recovery	Estimated recovery range	+/- 50%
Other Convertible Debentures/Loans	7,021,967	Valued at fair value with reference to credit risk and value of embedded derivative	Rate of Credit Risk	20%-40%
<b>Warrants</b>	981	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2018 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Change in IndexVal	+/-31%	+/-2,900,059
<b>Debt Instruments</b>			
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/- 915,320
Others/Loans	Risk discount rate	+/-20%	+/- 2,241,196
<b>Warrants</b>	Volatility of 40%	+70/-50%	+37,625/-30,044

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 2017 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Change in IndexVal	+/-31%	+/-3,102,840
<b>Debt Instruments</b>			
Black Pearl Limited Partnership	Probability weighting	+/-33%	+/-863,238
Others/Loans	Risk discount rate	+/-20%	-244,066/+244,066
<b>Warrants</b>	Volatility of 40%	+/-20%	+1,426/-703

\*The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value. The 31% sensitivity was used as this was the highest movement observed for IndexVal for the comparable baskets in the year (2017:31%).

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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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 2018. The sensitivity analysis assumes all other variables are held constant.

The impact of a 10% decrease in the value of investments on the financial assets at fair value of the Company as at 31 December 2018 would have been a decrease of £6,201,994 (31 December 2017: £6,507,024). An increase of 10% would increase the NAV by £6,201,994 (31 December 2017: £6,507,024). 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 2018.

**31 December 2018**

The table below shows the currencies and amounts the Company was exposed to at 31 December 2018 and 31 December 2017.

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	12,960,918	0.5530	7,166,842	10.86
CAD	5,849,807	0.5749	3,363,273	5.09
EUR	4,439,852	0.8983	3,988,412	6.04
GBP	27,797,348	1.0000	27,797,348	42.10
NOK	24,535,256	0.0905	2,220,894	3.36
USD	27,392,449	0.7846	21,491,015	32.55
			<b>66,027,784</b>	<b>100.00</b>

**31 December 2017**

<b>Currency</b>	<b>Amount in local currency</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
AUD	5,744,337	0.5781	3,320,579	5.04
CAD	16,832,962	0.5900	9,931,443	15.06
EUR	3,031,459	0.8884	2,693,210	4.09
GBP	8,861,593	1.0000	8,861,593	13.44
NOK	22,915,256	0.0904	2,071,322	3.14
USD	52,780,548	0.7399	39,053,309	59.23
			<b>65,931,456</b>	<b>100.00</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**ii. Currency risk (continued)**

At 31 December 2018 and 31 December 2017, 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	2018	2017
	Value £	Value £
AUD	716,684	332,058
CAD	336,327	993,144
EUR	398,841	269,321
NOK	222,089	207,132
USD	2,149,102	3,905,331
	<b>3,823,043</b>	<b>5,706,986</b>

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

**iii. Interest rate risk**

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

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

At 31 December 2018	Up to 1 month	More than 6 months	Non-interest bearing	Total
Assets	£	£	£	£
Cash and cash equivalents	3,811,921	-	-	3,811,921
Financial assets held at fair value through profit or loss	-	62,019,940	-	62,019,940
Other receivables	-	-	385,659	385,659
<b>Total Assets</b>	<b>3,811,921</b>	<b>62,019,940</b>	<b>385,659</b>	<b>66,217,520</b>
<b>Liabilities</b>				
Other liabilities	-	-	189,736	189,736
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>189,736</b>	<b>189,736</b>
<b>Interest rate sensitivity gap</b>	<b>3,811,921</b>	<b>62,019,940</b>		

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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.

<b>At 31 December 2017</b>	<b>Up to 1 month</b>	<b>More than 6 months</b>	<b>Non-interest bearing</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>				
Cash and cash equivalents	1,060,077	-	-	1,060,077
Financial assets held at fair value through profit or loss	-	9,611,682	55,458,562	65,070,244
Other receivables	-	-	15,406	15,406
<b>Total Assets</b>	<b>1,060,077</b>	<b>9,611,682</b>	<b>55,473,968</b>	<b>66,145,727</b>
<b>Liabilities</b>				
Other liabilities	-	-	214,271	214,271
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>214,271</b>	<b>214,271</b>
<b>Interest rate sensitivity gap</b>	<b>1,060,077</b>	<b>9,611,682</b>		

*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, and vice-versa.

**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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

4. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

c) Liquidity risk (continued)

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

At 31 December 2018	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
<b>Assets</b>						
Cash and cash equivalents	3,811,921	-	-	-	-	3,811,921
Financial assets held at fair value through profit or loss	-	-	295,870	14,544,619	47,179,451	62,019,940
Receivables	385,659	-	-	-	-	385,659
<b>Total Assets</b>	<b>4,197,580</b>	<b>-</b>	<b>295,870</b>	<b>14,544,619</b>	<b>47,179,451</b>	<b>66,217,520</b>

	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
<b>Liabilities</b>						
Other payables and accrued expenses	28,750	103,436	57,550	-	-	189,736
<b>Total Liabilities</b>	<b>28,750</b>	<b>103,436</b>	<b>57,550</b>	<b>-</b>	<b>-</b>	<b>189,736</b>

**Net assets attributable to shareholders** 66,027,784

At 31 December 2017	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
<b>Assets</b>						
Cash and cash equivalents	1,060,077	-	-	-	-	1,060,077
Financial assets held at fair value through profit or loss	-	981	-	9,611,682	55,457,581	65,070,244
Receivables	15,406	-	-	-	-	15,406
<b>Total Assets</b>	<b>1,075,483</b>	<b>981</b>	<b>-</b>	<b>9,611,682</b>	<b>55,457,581</b>	<b>66,145,727</b>

	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
<b>Liabilities</b>						
Other payables and accrued expenses	28,750	88,251	97,270	-	-	214,271
<b>Total Liabilities</b>	<b>28,750</b>	<b>88,251</b>	<b>97,270</b>	<b>-</b>	<b>-</b>	<b>214,271</b>

**Net assets attributable to shareholders** 65,931,456

The value of the cash and listed equity positions held by the Company at the year end is £24,925,542 (2017: £12,922,366) with the total liabilities at the year end at £189,736 (2017: £214,271). The Company therefore has minimal liquidity risk exposure.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 £19,630,122 (2017: £10,671,759).

As at 31 December 2018, the Company's financial assets exposed to credit risk were held with the following ratings:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>**Credit Rating</b>	<b>2018 % of net assets</b>
Debt instruments			
-Convertible Loan Note	Anglo Saxony Mines Limited	NR*	1.53
-Convertible Loan & Loan Note	Bilboes Gold Limited	NR*	1.69
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	4.16
-Convertible Loan Note	Cemos Group Plc	NR*	5.50
-Convertible Loan Note	Indian Pacific Resources Limited	NR*	0.27
-Loan Note 1	PRISM Diversified Limited	NR*	0.45
-Loan Note 2	PRISM Diversified Limited	NR*	0.07
-Convertible Loan Note	Futura Resources Limited	NR*	10.29
Cash and cash equivalents	HSBC Bank Plc	A**	5.77
<b>Total</b>			<b>29.73</b>

As at 31 December 2017, the Company's financial assets exposed to credit risk were held with the following weight:

<b>Financial Assets</b>	<b>Counterparty</b>	<b>**Credit Rating</b>	<b>2017 % of net assets</b>
Debt instruments			
-Convertible Loan Note	Black Pearl Limited Partnership	NR*	3.93
-Convertible Loan & Loan Note	Bilboes Gold Limited	NR*	1.34
-Convertible Loan Note	Cemos Group Plc	NR*	4.10
-Convertible Loan Note	Indian Pacific Resources Limited	NR*	0.35
-Loan Note	Ironstone Resources Limited	NR*	0.48
-Convertible Loan Note	Queensland Coal Investment Holdings	NR*	4.38
Cash and cash equivalents	HSBC Bank Plc	AA-**	1.61
<b>Total</b>			<b>16.19</b>

\* No rating available

\*\*As per S&P as at 31 December 2018 and 2017

**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**e) Concentration risk (continued)**

The Company's investment in Polymetal International Plc ("Polymetal") made up 28.91% of net assets at year end. Polymetal whose shares are listed on the London Stock Exchange had a market capitalisation of approximately £4 billion as at 31 December 2018. The Company's shares in Polymetal represented less than 3 days of Polymetal's average daily turnover in 2018.

**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 (2017: £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 are calculated and accrued 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 payable for the year ended 31 December 2018 were £100,111 (2017: £96,711) of which £16,731 (2017: £54,221) was payable at 31 December 2018. 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 Manager's fees are paid by the Manager.

The management fee for the year ended 31 December 2018 was £928,850 (2017: £768,116) of which £75,370 (2017: £74,679) was outstanding at the year end.

The Manager is also entitled to a performance fee. The Performance Period is each 12 month period ending on 31 December 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018****7. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)**

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

**8. OTHER EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>TOTAL</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>
Registrar fees	36,739	22,291
Listing fees	10,398	10,971
Regulatory fees	13,854	7,908
Public relation fee expense	7,500	-
Income tax exemption	1,200	1,200
Website expenses	1,000	2,700
Miscellaneous expenses	9,753	12,880
	<b>80,444</b>	<b>57,950</b>

**9. CASH AND CASH EQUIVALENTS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cash at HSBC Bank plc	3,811,921	1,060,077

**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 (2017: 116,129,980) Ordinary Shares in issue with additional 700,000 (2017: 700,000) held in treasury. In addition, the Company has 10,000 (2017: 10,000) Management Ordinary Shares in issue, which are held by the Investment Manager.

The Ordinary Shares are admitted to the Premium Listing segment of the Official List of the London Stock Exchange. Holders of Ordinary Shares have the right to receive notice of and to attend and vote at general meetings of the Company.

Each holder of Ordinary Shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of Ordinary Shares present in person or by proxy will have one vote for each Ordinary Share held by him.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. SHARE CAPITAL (CONTINUED)**

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.

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

	2018		2017	
	Amount £	No. of shares**	Amount £	No. of shares**
<b>Issued and fully paid share capital</b>				
Ordinary Shares of no par value* (including Management Ordinary Shares)	81,175,017	116,839,980	81,175,017	116,839,980
Treasury Shares	(140,492)	(700,000)	(140,492)	(700,000)

The outstanding Ordinary Shares during the year ended 31 December 2018 were as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares**	Amount £	No. of shares
Balance at 1 January 2018 & 31 December 2018	81,175,017	116,139,980	140,492	700,000

The issue of Ordinary Shares during the year ended 31 December 2017 took place as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares**	Amount £	No. of shares
Balance at 1 January 2017 & 31 December 2017	81,034,525	116,139,980	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.

As discussed in the Strategic Report, in August 2015 the Company introduced a share buyback programme with the objective of managing the discount the Company's shares trade at 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018****10. SHARE CAPITAL (CONTINUED)****Capital Management (continued)**

As described in the Directors' Report on page 17, the Company has a policy to distribute at least 15 per cent of net realised cash gains after deducting losses during the financial year through dividends or otherwise. The Company has a realised net gain per the Statement of Comprehensive Income and realised an aggregate cash gain for the year ended 31 December 2018.

As a result of the reorganisation of Polar Acquisition Limited during the year, the Company received cash and share dividends of Polymetal International Plc ("Polymetal") shares totalling £20.4 million. The Board considers the Polymetal shares to be sufficiently liquid so as to be considered in the calculation of net realised cash gains in the spirit of the policy and therefore is recommending to shareholders a distribution of £4 - £5million being approximately 25% of the net realised gain, to be made via a tender offer. Details of the proposed tender offer are expected to be posted to shareholders shortly.

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. COMMITMENTS**

The Company has guaranteed €1.7 million of vendor financing from Loesche GmbH to Cemos Group plc in relation to the development of the Tarfaya project in Morocco. The Company has also provided a letter of comfort regarding a €1.35 million overdraft facility for Cemos with the Bank of Morocco. During 2018, the Company accrued a fee of £346,744 in respect of the guarantee of the Loesche vendor financing and of £12,207 in respect of the comfort letter regarding the overdraft facility.

This fee has been recognised over time in accordance with IFRS 15. The terms of this agreement are that the Company will subscribe for up to €2,125,000 convertible loan stock of Cemos Group Plc to enable them to make their loan repayment and as such no financial liability has been recognised within the financial statements.

**12. RELATED PARTY TRANSACTIONS**

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

	<b>Number of Ordinary Shares 2018</b>	<b>Number of Ordinary Shares 2017</b>
Christopher Sherwell	104,198	104,198
Clive Newall	25,000	25,000

The Investment Manager, Baker Steel Capital Managers LLP had an interest in 10,000 Management Ordinary Shares at 31 December 2018 (31 December 2017: 10,000).

Baker Steel Global Funds SICAV – Precious Metals Fund ("Precious Metals Fund") had an interest in 7,469,609 Ordinary Shares in the Company at 31 December 2018 (2017: 7,469,609). These shares are held in a custodian account with Citibank N.A. London. Precious Metals Fund shares a common Investment Manager with the Company.

As a result of the sale of PAL's 90% interest in Polar Silver to Polymetal on 13 April 2018, the vesting of the shares issued under a PAL long term incentive plan was accelerated. A total of 1,593 PAL shares (4.9% of PAL on a fully diluted basis) valued at £2.79 million based on the price of Polymetal shares on 12 April 2018 were issued to the four directors of PAL including to Mr Trevor Steel. The shares issued to Mr Steel were allocated 48.3% to the Company to reflect his investment management role, and BSRT's percentage economic ownership of PAL, and the balance 51.7% to the Manager, to reflect his role as executive chairman of PAL.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Company's Associates and Subsidiaries are described in Note 15 and 16 to these financial statements.

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

	<b>2018</b>	<b>2017</b>
Management fees	928,850	768,116
Directors' fees	115,000	115,000

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

	<b>2018</b>	<b>2017</b>
Management fees	75,370	74,679
Directors' fees	28,750	28,750

**13. NET ASSET VALUE PER SHARE AND LOSS PER SHARE**

Net asset value per share is based on the net assets of £66,027,784 (31 December 2017: £65,931,456) and 116,139,980 (31 December 2017: 116,139,980) 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:

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
Net assets at the year end (£)	66,027,784	65,931,456
Number of shares	116,139,980	116,139,980
Net asset value per share (in pence) basic and diluted	56.9	56.8
Weighted average number of shares	116,139,980	116,139,980

The basic and diluted gain per share for 2018 is based on the net gain for the year of the Company of £96,328 and on 116,139,980 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The basic and diluted gain per share for 2017 is based on the net gain for the year of the Company of £10,323,666 and on 116,139,980 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

**14. NET ASSET VALUE**

The following table reconciles the published Net Asset Value ("NAV") to the audited NAV shown in the financial statements for the year ended 31 December 2018. The carrying value of Futura was adjusted in the financial statements for the year ended 31 December 2018.

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£</b>	<b>£</b>
Published NAV	67,681,014	65,931,456
Reduction in the value of Futura	(1,653,395)	-
Reduction in fees	165	-
<b>Audited NAV</b>	<b>66,027,784</b>	<b>65,931,456</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018****15. INVESTMENT IN ASSOCIATES**

The interests in the below companies are for investment purposes and they are deemed associates by virtue of the Company having appointed a non-executive director (“NED”) and/or holding in excess of 20% of the voting rights of the relevant company. Investments in associates are carried at fair value as they are held as part of the investment portfolio which is evaluated on a fair value basis.

<b>Investment</b>	<b>Country of Incorporation</b>	<b>Voting Rights held</b>	<b>NED Appointed</b>
Cemos Group Limited	Jersey	25.70%	Yes
Bilboes Gold Limited	Mauritius	21.70%	Yes
PRISM Diversified Limited	Canada	16.40%	Yes
Nussir ASA	Norway	14.10%	Yes
India Pacific Resources Limited	Australia	10.50%	Yes
Futura Resources	Australia	Convertible Loan	Yes
Anglo Saxony Mining	England and Wales	Convertible Loan	Yes
Polar Acquisition Limited	British Virgin Islands	47.50%	Yes

**16. SUBSIDIARY COMPANIES**

At 31 December 2017, the Company held a 75.9% undiluted interest which constituted control in PAL, a Company incorporated in the British Virgin Islands. However, during the year a number of options and convertible loans were exercised such that at 31 December 2018 the Company’s undiluted and fully diluted interest was 47.8%. Accordingly at 31 December 2018, PAL is no longer regarded as a subsidiary.

**17. SUBSEQUENT EVENTS**

Since 31 December 2018, the Company has acquired a 0.75% gross revenue royalty over Futura Resources Limited’s two coking coal projects in Australia for A\$6 million; subscribed for a further £1 million convertible loan notes in Anglo Saxony Mining; and agreed to subscribe US\$3 million in convertible loan notes in Azarga Metals Corp.

There were no other events subsequent to the year-end that materially impacted on the Company that require disclosure or adjustment to these financial statements.

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

The Annual Report and Audited Financial Statements for the year-end 31 December 2018 were approved by the Board of Directors on 9 April 2019.

**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 2018 there was no fixed remuneration paid to members of the LLP as Investment Manager. Variable remuneration amounted to £346,264. No carried interest was paid by the Company. These figures represent the aggregate remuneration paid to members of the LLP as Investment Manager for the year ended 31 December 2018. The total remuneration of the individuals whose actions have a material impact upon the risk profile of the AIF managed by the AIFM amounted to £283,094.

The total AIFM remuneration attributable to senior management was £57,507, and amounts attributable to other Identified Staff in the year was £37,457. The remuneration figures reflect an approximation of the portion of AIFM remuneration reasonably attributable to the AIF.

**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 Commission Code of Corporate Governance

**g/t** – Grams per tonne

**IAS** – International Accounting Standards

**ITG** – IFRS Transition Resource Group of Impairment of Financial Instruments

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

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

**IPO** – Initial Public Offering (stock market launch)

**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)**

**NI 43-101 – CANADIAN NATIONAL INSTRUMENT 43-101**

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

**NAV Discount** – NAV to market price discount The Net Asset Value (“NAV”) per share is the value of all the investment company’s assets, less any liabilities it has, divided by the number of shares. However, because the Company’s Ordinary Shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. 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 (2018: 0.32%, 2017: 5.5%).

**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.



**MANAGEMENT AND ADMINISTRATION**

<b>DIRECTORS:</b>	Howard Myles (Chairman) Charles Hansard Clive Newall Christopher Sherwell <i>(all of whom are non-executive and independent)</i>
<b>REGISTERED OFFICE:</b>	Arnold House St. Julian's Avenue St. Peter Port Guernsey, GY1 3NF Channel Islands
<b>MANAGER:</b>	Baker Steel Capital Managers (Cayman) Limited PO Box 309 George Town Grand Cayman KY1-1104 Cayman Islands
<b>INVESTMENT MANAGER:</b>	Baker Steel Capital Managers LLP* 34 Dover Street London W1S 4NG United Kingdom
<b>STOCK BROKERS:</b>	Numis Securities Limited 10 Paternoster Square London EC4M 7LT United Kingdom
<b>SOLICITORS TO THE COMPANY:</b> (as to English law)	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
<b>ADVOCATES TO THE COMPANY:</b> (as to Guernsey law)	Ogier Redwood House St. Julian's Avenue St. Peter Port Guernsey GY1 1WA Channel Islands
<b>ADMINISTRATOR &amp; COMPANY SECRETARY:</b>	HSBC Securities Services (Guernsey) Limited Arnold House St. Julian's Avenue St. Peter Port Guernsey GY1 3NF Channel Islands

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

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

<b>SUB-ADMINISTRATOR TO THE COMPANY:</b>	HSBC Securities Services (Ireland) DAC 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>CUSTODIAN TO THE COMPANY:</b>	HSBC Institutional Trust Services (Ireland) DAC 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>SAFEKEEPING AND MONITORING AGENT:</b>	HSBC Institutional Trust Services (Ireland) DAC 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>AUDITOR:</b>	BDO Limited P O Box 180 Place du Pre Rue du Pre St. Peter Port Guernsey GY1 3LL Channel Islands
<b>REGISTRAR:</b>	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue St. Sampson Guernsey GY2 4LH Channel Islands
<b>UK PAYING AGENT AND TRANSFER AGENT:</b>	Link Asset Services (Holdings) Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
<b>RECEIVING AGENT:</b>	Link Asset Services (Holdings) Limited Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
<b>PRINCIPAL BANKER:</b>	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom



