



**BAKER STEEL RESOURCES TRUST LIMITED**

**Annual Report and Audited Financial Statements**

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

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.

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**MANAGEMENT AND ADMINISTRATION**

**DIRECTORS:**

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

**REGISTERED OFFICE:**

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

**MANAGER:**

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

**INVESTMENT MANAGER:**

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

**BROKERS:**

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

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

**SOLICITORS TO THE COMPANY:**

(as to English law)

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

**ADVOCATES TO THE COMPANY:**

(as to Guernsey law)

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

\* Edward Flood resigned from Genus Capital Fund's Board of Directors on 12 July 2010 and from that date forward has been an Independent Director

\*\* Charles Hansard resigned from Genus Capital Fund's Board of Directors on 26 July 2010 and from that date forward has been an Independent Director

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

<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
<b>SUB-ADMINISTRATOR TO THE COMPANY:</b>	HSBC Securities Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>CUSTODIAN TO THE COMPANY:</b>	HSBC Institutional Trust Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
<b>AUDITORS:</b>	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF Channel Islands
<b>REGISTRAR:</b>	Capita Registrars (Guernsey) Limited Longue Hougue House St. Sampson Guernsey GY2 4JN Channel Islands
<b>PRINCIPAL BANKER</b>	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom

**INVESTMENT OBJECTIVES AND POLICIES****Investment objective**

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

**Investment policy**

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

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

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

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

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

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

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

The actual percentage of the Company's gross assets invested in listed and unlisted equities and equity-related securities and cash and cash-like holdings and the number of positions held may fall outside these ranges from time to time. For example, listed securities might exceed the above guideline following a significant number of IPOs or in certain market conditions and likewise cash balances may exceed the above guideline following the realisation of one or more investments or following the issue of new equity in the Company, pending investment of the proceeds.

The investment policy has the following limits:

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

**INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

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

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

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

Any material change in the investment objective, investment policy or borrowing policy will only be made with the prior approval of holders of Ordinary Shares by Ordinary Resolution.

**CHAIRMAN'S STATEMENT**

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

I am pleased to present the Company's first annual report and would like to thank all our shareholders for their support at the time of listing of the Company and subsequently.

The Company was admitted to listing on 28 April 2010. Its structure as an investment company listed on the London Stock Exchange gives investors an almost unique opportunity to invest in private developing mining companies. We are therefore well-positioned to capture value as these companies move up the steepest part of the development curve and move on to a listing or other form of monetisation.

As with most investment companies at launch, the main focus of the Company has been concentrated on making suitable investments with sufficient potential at the right price. We had the significant benefit of acquiring an existing investment portfolio from Genus Capital Fund so that the Company was already half invested at the outset. When making investments in private companies, the level of due diligence required to be undertaken is much greater than for public companies which have been through a listing process and are required to provide regular information to their shareholders. It has therefore taken time to invest, but at year end the Company was 79.7% invested and since that time we have achieved our target of being fully invested with a small cash holding to allow for working capital.

Following listing, the markets for commodities and listed mining shares were initially weak but the second half of 2010 saw a strong recovery. The initial weakness was reflected in the disappointing postponement of the IPO of our largest position, Ferrous Resources Limited in June 2010. Fortunately, Ferrous is well-funded for its immediate needs, with cash of US\$430 million at the end of September 2010, which has meant it has been able to continue its preparations towards commencing development of its first mine in mid-2011. We expect further news on the corporate front from Ferrous in the second quarter of 2011.

The strength of public markets for both commodities and associated companies is not necessarily immediately recognised in our net asset value because when we assess "fair value" to determine carrying value for our unlisted holdings, we require compelling evidence to support an adjustment, such as "grey market" transactions conducted at arm's length. I am confident that further developments in the assets which the Company holds will in time add to the value of the portfolio. Two of our investments achieved listings during the year, South American Ferro Metals and Forbes & Manhattan Coal, and by year end had risen by 31% and 48% respectively on our carrying value prior to listing.

Howard Myles  
Chairman

**DIRECTORS' REPORT**

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

The Directors of the Company present their first annual report and the audited financial statements for the period ended 31 December 2010.

**Principal activity and business review**

Baker Steel Resources Trust Limited (the "Company") is a closed-ended investment company with limited liability incorporated on 9 March 2010 in Guernsey under The Companies (Guernsey) Law 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended ("POI Law") and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (GFSC). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange

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

The Company's investment policy is detailed on pages 3 and 4.

**Portfolio analysis**

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

**Performance**

In the period to 31 December 2010, the Company's Ordinary NAV per share increased by 5.6%. This compares with a rise in the HSBC World Mining Index (capital return in sterling terms) of 25.1%.

The Investment Manager's report on pages 12 to 15 includes a review of the main developments during the year together with information on investment activity within the Company's Portfolio and on the market outlook.

**Results and dividends**

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

**Dividend policy**

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

**Directors**

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

Edward Flood  
Charles Hansard  
Howard Myles  
Clive Newall  
Christopher Sherwell

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



**DIRECTORS' REPORT (CONTINUED)****For the period from 9 March 2010 (date of incorporation) to 31 December 2010****Directors (Continued)**

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

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

**Significant shareholdings**

<b>Ordinary Shareholder</b>	<b>Number of Ordinary Shares</b>	<b>% of Total Shares in issue</b>
The Bank of New York (Nominees) Limited*	26,105,199	39.53
HSBC Global Custody Nominee Limited*	6,622,800	10.03
Lynchwood Nominees Limited*	2,840,397	4.30
Nortrust Nominees Limited*	3,963,412	6.00
Roy Nominees Limited*	2,248,036	3.40
Royal Bank of Canada Europe Limited	4,001,864	6.06
State Street Nominees Limited*	2,811,608	4.26

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

**The Manager**

Baker Steel Capital Managers (Cayman) Limited has been appointed as the Manager of the Company.

**Auditors**

Ernst & Young LLP have been appointed as auditors to the Company and have expressed their willingness to continue in office.

**Administrator**

HSBC Securities Services (Guernsey) Limited has been appointed as the Administrator and Company Secretary while HSBC Securities Services (Ireland) Limited has been appointed as Sub-Administrator to the Company.

**Listing**

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.

**Authorised and Issued Share Capital**

The authorised share capital of the Company on incorporation was represented by an unlimited number of Ordinary Shares of no par value. The Company raised £30,468,865 through the issue of 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares via a Placing and Offer. In addition, the Company issued 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares to the holders of shares in Genus Capital Fund pursuant to a scheme of reorganisation of Genus Capital Fund, in exchange for substantially all the non-cash assets of Genus Capital Fund. With effect from 30 September 2010, 7,543 Ordinary Shares were issued as a result of the exercise of Subscription Shares.

**Going Concern**

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and, after due consideration, believe it is appropriate to adopt the going concern basis in preparing the financial statements.

**DIRECTORS' REPORT (CONTINUED)**

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

**Corporate Governance**

The Company is committed to maintaining high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an overseas investment company and which will enable the Company to comply with the relevant provisions of the Combined Code issued by the Financial Reporting Council in June 2008.

**Compliance**

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

**Information and training**

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

**Independence**

The Board consists solely of non-executive Directors of whom Howard Myles is Chairman. The Board considers all of the Directors as independent of the Manager, Investment Manager and the Investment Advisers and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

**Senior Independent Director**

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

**Appointment and re-election**

Directors are selected and appointed by the Board as a whole functioning as a nomination committee. There is no separate nomination committee as the Board is wholly independent and is considered small relative to listed trading companies. All the Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board. The Directors are not required to retire by rotation at each annual general meeting of the Company. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

**Performance appraisal**

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

**DIRECTORS' REPORT (CONTINUED)**

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

**Audit committee**

The Board has established an Audit Committee. The Audit Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored and will provide a forum through which the Company's external auditors may report to the Board. The Audit Committee reviews the annual and interim accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. The Audit Committee is composed of Charles Hansard (Chairman of the Audit Committee), Howard Myles and Chris Sherwell.

**Remuneration, nomination and management engagement committees**

Given the size and nature of the Company, it is not deemed necessary to form separate remuneration, nomination and management engagement committees. The Board, as a whole, will consider new Board appointments, remuneration and the engagement of service providers.

**Board Meetings**

The Board generally meets at least four times a year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company. Between these quarterly meetings there is regular contact with the Investment Manager. The Directors are kept fully informed of investment and financial controls and other matters which are relevant to the business of the Company and which should be brought to the attention of the Directors. The Directors also have access to the Company Secretary (through its appointed representatives who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with) and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

**Internal Controls**

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

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

The Administrator has a number of internal control functions including a dedicated Compliance Officer who is appointed as a statutory requirement and whose role is determined by the Guernsey Financial Services Commission which includes the maintenance of a log of errors and breaches which are reported to the Board at each quarterly Board meeting.

The Board reviews the effectiveness of the Company's internal control systems on an ongoing basis. Procedures are in place to ensure that necessary action is taken to address any significant weaknesses identified in the control framework. The Board is not aware of any significant failings or weaknesses in the Company's internal controls in the period under review. The Board recognises that the internal controls framework is designed to manage rather than to eliminate relevant risks. The key risks faced by the Company are set out below. The Board reviews the policies for managing each of these principal risks as summarised below. Please also refer to note 5 on pages 28 to 31.

**Investment Manager Assessment**

The Investment Manager prepares regular reports to the Board to allow it to review and assess the Company's activities and performance on an ongoing basis. The Board and the Investment Manager have agreed clearly defined investment criteria, exposure limits and specified levels of authority. Regular reports on these issues, including performance information and portfolio valuations, are submitted to the Board at each meeting.

**DIRECTORS' REPORT (CONTINUED)**

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

**Relations with Shareholders**

The Board believes that the maintenance of good relations with shareholders is vital for the long-term prospects of the Company. The Board receives feedback on the views of shareholders from the Company's brokers, RBC Capital Markets and Winterflood Securities Limited, and from the Investment Manager.

**General Meetings**

All general meetings of the Company will be held in Guernsey. The Company will hold an Annual General Meeting each year.

**Principal risks & uncertainties**

**Performance risk**

The Board is responsible for determining the investment strategy to allow the Company to fulfil its objectives and also for monitoring the performance of the Investment Manager who has been delegated day to day management of the Company's Portfolio. An inappropriate strategy may lead to poor performance. 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 and the investment portfolio. The Board monitors and mandates an adequate diversification of investments, both geographically and sectorally, in order to minimise the risks associated with particular sectors, based on the diversification requirements inherent in the Company's investment policy.

**Market risk**

Market risk arises from volatility in the prices of the Company's underlying investments which, in view of the Company's investment objectives, in turn are particularly sensitive to commodity prices. Market Risk represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager on a regular basis.

**Financial risk**

The Company's investment activities expose it to a variety of financial risks that include foreign currency risk and interest rate risk. Further details are disclosed in note 5 on pages 28 to 31.

**Operational risk**

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

**DIRECTORS' REPORT (CONTINUED)**

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

**Statement of Directors' Responsibilities**

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

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

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

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

The Directors confirm that to the best of their knowledge:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU);
- The financial statements have been prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- The Chairman's Statement, Directors Report and Investment Manager's Report include a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure and Transparency Rules of the UK Listing Authority; and
- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors by:

Howard Myles

Christopher Sherwell

Date: 21 April 2011

**INVESTMENT MANAGER'S REPORT (CONTINUED)****For the period from 9 March 2010 (date of incorporation) to 31 December 2010**

The objective of the Company is to seek capital growth over the long-term by investing through a focused global portfolio consisting principally of the equities, or related instruments, of natural resources companies. These investments are predominantly in private companies with strong development projects and focused management, but also in listed securities to exploit value inherent in market inefficiencies.

**Financial Performance**

The audited net asset value per ordinary share as at 31 December 2010 was 103.4p per share, up 5.6% from the Company's first net asset value ("NAV") calculated on 30 April 2010. During this period the HSBC World Mining Index was up 25.1% in sterling terms.

On 10 January 2011, the Company announced an unaudited NAV for 31 December 2010 of 96.9p per share. During December 2010, Ivanhoe Nickel & Platinum ("Ivanplats") undertook a placing of stock equivalent to around 1% of the shares in issue of Ivanplats. At the time the year end NAV was being finalised, it was unclear whether this placing represented a change in fair value and the carrying value was, therefore, not changed. However, during January, a further larger placing and significant trading on the "grey" market demonstrated that the December placing had indeed indicated an upward revaluation was necessary. This increase has been included in these financial statements and was also reflected in the 31 January 2011 NAV statement announced on 4<sup>th</sup> February 2011. Accordingly, the audited NAV at 31 December 2010 has been restated to 103.4p to reflect this uplift to the carrying value of Ivanplats together with a change in the valuation methodology for unlisted warrants which contributed 0.3p to this increase.

For the purpose of calculating the net asset value per share, unquoted investments are carried at fair value as at 31 December 2010 as determined by the Directors and quoted investments are carried at fair value as at 31 December 2010.

Net assets at 31 December 2010 comprised the following:

	£m	% net assets
Unquoted investments	47.4	69.4
Quoted investments	7.0	10.3
Net cash and fixed income instruments	13.9	20.3
	-----	-----
	68.3	100.0

**Issue of Shares**

The Company was admitted to trading on the London Stock Exchange on 28 April 2010. On that date, 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares were issued pursuant to a placing and offer for subscription and 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares were issued pursuant to a scheme of reorganisation of Genus Capital Fund.

In addition 10,000 Management Ordinary Shares were issued.

Following the exercise of Subscription Shares at the end of September 2010, 7,543 Ordinary Shares were issued and as a result, the Company had 66,030,632 Ordinary Shares and 13,197,051 Subscription Shares in issue at 31 December 2010.

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

Ivanhoe Nickel and Platinum Limited	22.0%
Ferrous Resources Limited	17.2%
Gobi Coal & Energy Limited	9.7%
Ironstone Resources Limited	7.6%
South American Ferro Metals Limited	5.4%
Copperbelt Minerals Limited	5.0%
Forbes & Manhattan Coal Corporation	4.3%
First Coal Corporation	4.0%
Other Investments	4.5%
Net Cash and fixed income instruments	20.3%

During the period, the emphasis has been on identifying investments with the requisite potential and by 31 December 2010, the Company was 79.7% invested. There has also been corporate activity in the Company's portfolio.

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

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

**Investment Update (continued)**

- In May 2010 Ferrous Resources announced its decision to float on the London Stock Exchange, which might have seen it enter the FTSE 100 Index. However, due to "volatile markets" the Company postponed its listing in June 2010. Following this postponement, the major shareholders of Ferrous moved to achieve a greater influence over the direction of the company. As a result seven directors have departed and eight shareholder representative directors were appointed representing over 75% of the shareholder base. In August 2010, the new Board appointed Deutsche Bank as exclusive financial advisor with a remit to examine all options for the financing of the company including a revived IPO, sale of a strategic stake and a sale of non-core assets. We expect more news on developments in Q2 2011.
- In May 2010 Copperbelt Minerals agreed an offer from a consortium of Chinese investors, subject to approval by the government of the Democratic Republic of Congo ("DRC"). Following delays in receiving the requisite approval, one of the two parties which had agreed jointly to acquire Copperbelt, decided not to extend the date of completion and effectively pulled out of the acquisition. Following this withdrawal, Copperbelt and the other party to the original acquisition agreement, China Africa Development Fund ("CAD Fund"), entered into a new sale deed. At 31 March 2011, DRC Government approval for the transaction is still pending.
- During July the Company invested in a pre-IPO fundraising in Forbes Coal, a South African coal producer at C\$2.80 per share. Forbes Coal listed on the Toronto Stock Exchange at the end of September 2010 and was quoted at C\$4.14 per share at 31 December 2010. In February 2011, Forbes Coal raised C\$36.4 million at C\$4.55 per share.
- During November 2010, South American Ferro Metals ("SAFM") listed on the Australian Stock Exchange at a price 31% above the Company's previous carrying value. A significant portion of the Company's holding in SAFM is in the form of unlisted Performance Shares which are held at a discount to the Ordinary Shares pending conversion to Ordinary Shares upon SAFM meeting various project milestones at its Ponto Verde iron ore project in Brazil. At the end of October the mining of ore commenced at Ponto Verde and was trucked to a nearby third party processing plant for beneficiation prior to sale, whilst SAFM commissioned its own plant at Ponto Verde. This is a key step towards meeting two of the project milestones for the conversion of the Performance Shares which would unlock further value for the Company.

We have added precious metals exposure to the Fund's commodity mix given the positive outlook for precious metals and a wish to diversify. New investments in silver and gold have been made in 2011 adding to the platinum exposure provided by Ivanhoe Nickel and Platinum, our largest holding.

**Description of Largest Investments**

**Ivanhoe Nickel and Platinum Limited ("IvanPlats")**

IvanPlats is a private company which owns the Kamoa copper project in the Democratic Republic of Congo and the Turfspruit nickel, platinum, palladium, copper and gold project in South Africa.

IvanPlats holds exploration licences covering 9000km<sup>2</sup> of the Congolese copperbelt. Primary amongst these is the Kamoa copper project, situated less than 20km from Kolwezi, the DRC's copper mining hub. A Canadian National Instrument 43-101 ("NI 43-101")<sup>1</sup> compliant report was completed on Kamoa in January 2011 by independent technical consultants AMEC.

The Turfspruit project is situated on the northern limb of the Bushveld Igneous Complex in South Africa. Drilling during 2010 intersected high-grade mineralisation over substantial widths and demonstrated a flattening of the Platreef mineralisation at depth. A NI 43-101 compliant resource and technical report has been produced by independent consultants, AMEC.

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

Ferrous is a private company with five iron-ore projects in the iron quadrilateral region in Minas Gerais state and one in Bahia state in Brazil. It has Joint Ore Resource Committee ("JORC")<sup>2</sup> resources of 4.5 billion tonnes of iron ore and exploration potential of a further 2.4 billion tonnes.

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<sup>1</sup> 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.

<sup>2</sup> 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'.

**INVESTMENT MANAGER'S REPORT (CONTINUED)****For the period from 9 March 2010 (date of incorporation) to 31 December 2010****Description of Largest Investments (continued)**

Production of iron ore has commenced with an initial output planned to reach 2.5 million tonnes by the end of 2011 and is targeting a rate of 25 million tonnes per annum from 2014, potentially expanding to 62 million tonnes per annum by 2016. Ferrous is developing its own infrastructure system which is expected to encompass a port terminal in Presidente Kennedy, Espirito Santo state and a 400km slurry pipeline connecting the port terminal to Ferrous' Viga Mine.

As at September 2010 Ferrous held over US\$430 million in cash.

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

Gobi is a private company with three coking coal projects in Mongolia with a JORC compliant resource of 322 million tonnes. The company is examining the feasibility of commencing production and hauling coal by road to its target markets in China with a plan to commence production in the second half of 2011. The company is considering a listing on the Hong Kong Stock Exchange in 2012.

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

Ironstone is a private Canadian company which owns the Clear Hills Iron Ore/Vanadium Project ("Clear Hills") in Alberta, Canada. Clear Hills currently has a resource of 203 million tonnes of iron ore at a grade of 33% designated under NI 43-101. Historic work (pre NI 43-101) in the 1950's estimated a resource of over 1 billion tonnes of iron ore at Clear Hills so there is a good opportunity for Ironstone to increase its NI 43-101 resource significantly. The project has also demonstrated significant vanadium by-product and gold assays in recent core samples suggesting the potential for further credits from those commodities.

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

SAFM is a company listed on the Australian Stock Exchange whose main asset is the Ponto Verde iron ore project in Minas Gerais in Brazil. The property has been drilled and the geology is well understood. While sufficient work is yet to be completed to secure a JORC or similar resource, the property/asset is believed to contain the potential for 140-150 million tonnes iron ore. Mining started at Ponto Verde in the fourth quarter of 2010 and commissioning of the beneficiation plant commenced in the first quarter 2011 following the completion of its refurbishment. Production is increasing steadily towards its design rate of 700,000 tonnes of iron ore per annum.

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

Copperbelt is a private company with a copper-cobalt project in the Democratic Republic of Congo ("DRC"). Copperbelt has a 68% interest in the Deziwa Copper Project one of the largest copper oxide deposits in the DRC. Gecamines, a state owned mining and exploration enterprise that holds most of the DRC's state mining activities, holds the remaining 32%. Copperbelt completed a positive Definitive Feasibility Study on the project in January 2009.

In September 2010 Copperbelt signed an agreement with Chinese investment company, CAD Fund, for an all cash offer valuing Copperbelt at US\$282 million. The transaction was due to have been completed by the end of 2010. However, the requisite approvals from the Chinese and Congolese authorities were still to be received by that date and it was agreed to extend the deadline as sufficient progress had already been made.

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

Forbes Coal is a coal producer listed on the Toronto Stock Exchange with two mines in the Kwa-Zulu Province of South Africa. The Magdalena Mine has a NI 43-101 compliant resource of 54.2 million tonnes of bituminous coal and produced 449,000 tonnes of coal in 2009. The Aviemore Mine has a NI 43-101 compliant resource of 52.8 million tonnes of anthracite coal and resumed operations in June 2010, following the company's refinancing.

**First Coal Corporation ("First Coal")**

First Coal is a private company with a coking and Pulverised Coal Injection coal<sup>3</sup> project in British Columbia, Canada. First Coal has announced NI 43-101 compliant resources of 78 million tonnes coal.

**Market Outlook**

We anticipate that a major theme for 2011 will be the increase in new IPOs in the gold and mining sectors. The strong performance of listed issues in 2010 (HSBC Global Mining Index +27.9%) and continuing strength in commodity prices means that the market is increasingly receptive to new opportunities, particularly if they are relatively attractively priced.

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<sup>3</sup> Pulverised Coal Injection coal is crushed (pulverised) into a fine powder and injected into blast furnaces as a replacement for coke in the production of pig iron.



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

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

**Market Outlook (continued)**

Commodity markets should continue to benefit from rising demand for industrial metals and energy, both in the US, where recovery is slowly taking place in the manufacturing sector, and in Asia, as the economies of China and India continue to generate growth and increase output. Manufacturing sector recovery and a growing demand for construction materials in Asia will continue to support industrial metal prices in 2011. However, the recent natural disaster in Japan is likely to depress demand for industrial raw materials, in particular iron ore and coal, in the short-term. Japan is the second largest consumer of copper ore and Asia's biggest importer of aluminium. Inflation is set to be one of the most significant challenges for governments and investors in 2011, especially as commodity and energy prices rise on growing demand from emerging markets. For instance, China's inflation rate accelerated to 4.9% during January, the highest rate for over two years. The potential for fears over inflation to prompt increases in interest rates presents a threat to industrial metals prices.

Recent volatility in energy markets is likely to continue in 2011, as the unclear outcome of the North African uprisings promotes uncertainty regarding the future of one of the world's key oil producing regions. Surging oil prices will potentially restrict output growth and increase headline inflation. These factors are a risk to global economic recovery. Higher oil prices are also likely to feed through to higher operating costs for producing mines increasing the cost curve of the mining industry and putting upward pressure on metal prices.

The outlook for precious metals in 2011 remains strong. There appear to have been no major structural economic changes in the past twelve months that might undermine the case for gold. In the short-term we anticipate the gold price will be driven upwards by sustained political instability, financial imbalances and global inflation concerns. In the long-term the case for gold appears robust. In particular, Central Banks have been net buyers of gold since late 2009 and remain underweight gold relative to FX reserves. This signals fundamental concerns that the world's money supply is strongly out-growing gold mine production, raising the incentive to increase gold reserves as fiat currencies debase. Gold production has remained relatively static since 2001 (GFMS)<sup>4</sup> yet discovery rates have, at best, replaced production which compounds issues of supply tightness. Collectively, these trends are steadily re-establishing gold's status as a currency that cannot be printed.

With regard to the principal risks which the Company faces, please refer to the Directors' Report on page 10 and note 5 on pages 28 to 31.

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<sup>4</sup> Gold Fields Mineral Services ("GFMS") is a leading precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets.

**BOARD OF DIRECTORS**

**Howard Myles (aged 61):** 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 stock broking in 1971 as an equity salesman and joined Touche Ross in 1975 where he qualified as a chartered accountant. In 1978 he joined W. Greenwell & Co. in the corporate broking team and in 1987 moved to SG Warburg Securities where he was involved in a wide range of commercial and industrial transactions in addition to leading UBS Warburg's corporate finance function for investment funds. He is a fellow of the Institute of Chartered Accountants and of The Chartered Institute for Securities and Investments.

**R. Edward Flood (aged 65):** In March 2007, Edward Flood was appointed Managing Director, Investment Banking, Haywood Securities (UK) Limited. Following graduation from university Edward enjoyed a career as an economic geologist with several different companies in the mining industry over a 20-year period. At Nerco Minerals he was head of the company's acquisition team during a period of rapid growth fuelled by the purchase of a number of operating precious metal mines. This experience enabled him to make a transition to the financial community as a principal at Robertson Stephens investment bank in San Francisco in 1992. He initially worked as a securities analyst following the gold mining industry before becoming a member of the firm's investment management team for the Contrarian Fund, a public mutual fund concentrated on natural resource opportunities in emerging markets around the world and the Orphan Fund, a similarly structured hedge fund. The funds managed a portfolio of approximately US\$2 billion. Edward became Ivanhoe Mines' founding President in 1995 and served in that capacity until 1999. He has been a member of the board of directors since Ivanhoe was formed. Between 1999 and 2001, Edward held the position of senior mining analyst with Haywood Securities in Vancouver before returning to Ivanhoe Mines as deputy chairman, a position held until joining Haywood Securities (UK) Limited in March 2007. He is also the Chairman of Western Uranium Corporation and director of several mineral exploration and development companies. Edward holds a Masters of Science (Geology) degree from the University of Montana and is a member of the Geological Society of London.

**Charles Hansard (aged 63):** Charles Hansard has over 30 years' experience in the investment industry as a professional and in a non-executive capacity. He currently serves as a non-executive director on a number of boards which include the Moore Capital group of funds, AAA- rated Deutsche Bank Global Liquidity Fund, and Electrum Ltd., a privately owned gold exploration company. He formerly served as a director of Apex Silver Mines Ltd., where he chaired the finance committee during its capital raising phase and as chairman of the board of African Platinum Plc, which he led through reorganisation and feasibility prior to its sale to Impala Platinum. He commenced his career in South Africa with Anglo American Corporation and Fleming Martin as a mining analyst. He subsequently worked in New York as an investment banker for Hambros before returning to the UK to co-found IFM Ltd., one of the earliest European hedge fund managers. Charles holds a B.B.S. from Trinity College Dublin.

**Clive Newall (aged 61):** Clive Newall graduated from the Royal School of Mines, University of London, England in 1971 with an honours degree in Mining Geology, and was awarded an MBA from the Scottish Business School at Strathclyde University. He has worked in mining and exploration throughout his career, having held senior management positions with Amax Exploration Inc. and the Robertson Group plc. Clive has been a director of a number of public companies in the United Kingdom and Canada.

**Christopher Sherwell (aged 63):** Christopher Sherwell has worked since 2004 as a Senior Non-Executive Director based in Guernsey with roles in the offshore finance industry. Christopher has served as director with a variety of listed funds managed by institutions such as Goldman Sachs, Hermes and Dexion. Christopher also acts as a non-executive director of a number of locally incorporated operational companies including Raven Russia Limited. Prior to January 2004, Christopher was a Managing Director of Schroders' offshore investment and private banking operations in the Channel Islands. Christopher was previously Investment Director from 1993-2000 and also served on 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.

**PORTFOLIO STATEMENT  
AT 31 DECEMBER 2010**

<b>Shares /Warrants</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b>Listed equity shares</b>			
<b>Australian Dollars</b>			
7,223,364	South American Ferro Metals	1,704,599	2.50
<b>Australian Dollars Total</b>		<b>1,704,599</b>	<b>2.50</b>
<b>Canadian Dollars</b>			
3,383,333	BacTech Environmental Corporation	217,865	0.32
1,100,000	Forbes & Manhattan	2,932,489	4.29
358,333	MBAC Fertilizer Corporation	563,015	0.82
16,916,667	REBgold Corporation	1,034,860	1.52
<b>Canadian Dollars Total</b>		<b>4,748,229</b>	<b>6.95</b>
<b>Great Britain Pounds</b>			
2,400,000	European Nickel	552,000	0.81
<b>Great Britain Pounds Total</b>		<b>552,000</b>	<b>0.81</b>
<b>Total investments in listed equity shares</b>		<b>7,004,828</b>	<b>10.26</b>
<b>Fixed Income Instruments</b>			
<b>Great Britain Pounds</b>			
12,500,000	UK Treasury Bills 4.25% 07/03/2011	12,753,510	18.68
<b>Great Britain Pounds Total</b>		<b>12,753,510</b>	<b>18.68</b>
<b>Total investments in fixed income instruments</b>		<b>12,753,510</b>	<b>18.68</b>
<b>Unlisted equity shares and warrants</b>			
<b>Australian Dollars</b>			
4,445,586	South American Ferro Metals Class A	744,852	1.09
4,445,586	South American Ferro Metals Class B	734,362	1.08
4,445,586	South American Ferro Metals Class C	472,089	0.69
<b>Australian Dollars Total</b>		<b>1,951,303</b>	<b>2.86</b>

**BAKER STEEL RESOURCES TRUST LIMITED****PORTFOLIO STATEMENT  
AT 31 DECEMBER 2010**

<b>Shares /Warrants</b>	<b>Investments</b>	<b>Fair value £ equivalent</b>	<b>% of Net assets</b>
<b>Canadian Dollars</b>			
10,250,000	BacTech Mining Corporation Warrants 06/17/2015	247,513	0.36
6,666,667	BacTech Mining Corporation Warrants 08/06/2013	123,078	0.18
5,000,000	First Coal Corporation	2,221,583	3.25
2,428,571	First Coal Corporation Warrants 05/20/2011	531,708	0.78
6,073,209	Ironstone Resources	5,041,991	7.39
3,036,605	Ironstone Resources Limited Warrants 03/31/2012	109,502	0.16
<b>Canadian Dollars Total</b>		<b>8,275,375</b>	<b>12.12</b>
<b>Great Britain Pounds</b>			
1,594,646	Celadon Mining Limited	297,720	0.44
<b>Great Britain Pounds Total</b>		<b>297,720</b>	<b>0.44</b>
<b>United States Dollars</b>			
268,889	Copperbelt Minerals	3,444,425	5.05
6,123,642	Ferrous Resources	11,766,429	17.23
5,169,550	Gobi Coal and Energy	6,622,110	9.70
500,000	Ivanhoe Nickel and Platinum	3,842,951	5.63
791,666	Ivanhoe Nickel Platinum Warrants 1 for 1.2 ordinary	7,301,601	10.69
507,500	Ivanhoe Nickel Platinum Warrants 1 for 1 ordinary	3,900,596	5.71
<b>United States Dollars Total</b>		<b>36,878,112</b>	<b>54.01</b>
<b>Total unlisted equity shares</b>		<b>47,402,510</b>	<b>69.43</b>
<b>Financial Assets held at fair value through profit or loss</b>		<b>67,160,848</b>	<b>98.37</b>
<b>Other Assets &amp; Liabilities</b>		<b>1,113,450</b>	<b>1.63</b>
<b>Total Equity</b>		<b>68,274,298</b>	<b>100.00</b>

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the financial statements of Baker Steel Resources Trust Limited for the period ended 31 December 2010 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11 of the Directors Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010, and of its net comprehensive income for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

Date: 26 April 2011

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

		<b>31 December 2010 £</b>
	<b>Notes</b>	
<b>Assets</b>		
Cash and cash equivalents	10	1,013,506
Other receivables		330,561
Financial assets held at fair value through profit or loss (Cost: £63,126,417)	3	67,160,848
<b>Total assets</b>		<b>68,504,915</b>
<b>Equity and Liabilities</b>		
<b>Liabilities</b>		
Management fees payable	8	79,513
Formation expenses payable		26,529
Directors' fees payable		36,000
Audit fees payable		40,000
Administration fees payable	7	10,193
Other payables		38,382
<b>Total liabilities</b>		<b>230,617</b>
<b>Equity</b>		
Management Ordinary Shares	11	10,000
Ordinary Shares	11	64,655,155
P&L account		3,609,143
<b>Total equity</b>		<b>68,274,298</b>
<b>Total equity and liabilities</b>		<b>68,504,915</b>
 Ordinary shares in issue		 66,040,632
Net asset value per Ordinary Share (in Pence) – Basic	4	103.38

These financial statements were approved by the Board of Directors on 21 April 2011 and signed on its behalf by:

Howard Myles

Christopher Sherwell

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

		<b>Period ended 31 December 2010 Revenue £</b>	<b>Period ended 31 December 2010 Capital £</b>	<b>Period ended 31 December 2010 Total £</b>
	<b>Notes</b>			
<b>Income</b>				
Interest income		132,564	-	132,564
Net gain on financial assets and liabilities at fair value through profit or loss	3	-	3,950,281	3,950,281
Net foreign exchange gain		-	494,905	494,905
Other income		335,021	-	335,021
<b>Net income</b>		<b>467,585</b>	<b>4,445,186</b>	<b>4,912,771</b>
<b>Expenses</b>				
Formation expenses		152,870	-	152,870
Management fees	8	724,147	-	724,147
Directors' fees and expenses		116,000	-	116,000
Administration fees	7	74,773	-	74,773
Audit fees		40,000	-	40,000
Custody fees		27,220	-	27,220
Other expenses	9	168,618	-	168,618
<b>Total expenses</b>		<b>1,303,628</b>	<b>-</b>	<b>1,303,628</b>
<b>Net comprehensive (loss)/income for the period</b>		<b>(836,043)</b>	<b>4,445,186</b>	<b>3,609,143</b>
<b>Net (loss)/earnings for the period per Ordinary Share:</b>				
Basic and diluted (in pence)	4	(1.27)	6.73	5.47
<b>Weighted Average Number of Ordinary Shares Outstanding:</b>				
Basic and diluted	4			66,035,918

In the current period there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

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

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



**STATEMENT OF CASH FLOWS**

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

		<b>Period ended 31 December 2010 £</b>
	<b>Notes</b>	
<b>Cash flows from operating activities</b>		
Net income for the period		3,609,143
<i>Adjustments to reconcile income for the period to net cash used in operating activities:</i>		
Net change in fair value of financial assets at fair value through profit or loss		(3,780,046)
Net increase in other receivables		(330,561)
Net increase in other payables		230,617
<b>Net cash used in operating activities</b>		<b>(270,847)</b>
<b>Cash flows from investing activities</b>		
Purchase of financial assets at fair value through profit or loss		(33,367,828)
Sale of financial assets at fair value through profit or loss		5,541,250
<b>Net cash used in investing activities</b>		<b>(27,826,578)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	11	30,486,408
Share issue costs		(1,375,477)
<b>Net cash provided from financing activities</b>		<b>29,110,931</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,013,506</b>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	10	<b>1,013,506</b>
<b>Represented by:</b>		
Cash and cash equivalents		1,013,506
Bank overdraft		-
<b>Cash and cash equivalents at the end of the period</b>	10	<b>1,013,506</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

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

The Company has adopted the Great Britain pound sterling ("£") as its presentation currency, being the currency in which its Ordinary Shares and Subscription Shares are issued. The presentation currency is the same as the functional currency.

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

**Statement of Compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

**b) Significant accounting judgements and estimates**

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

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

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

*Recognition and derecognition*

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

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

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

*Recognition and derecognition (continued)*

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

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

*Basis of Designation of Fair value*

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

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

*Determination of fair value*

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

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

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

**d) Interest income and expense**

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

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

Cash and cash equivalents comprise cash balances held at banks.

**f) Expenses**

All expenses are recognised on an accruals basis.

**g) Translation of foreign currencies**

Foreign currency transactions during the period are translated into £ at the rate of exchange ruling at the dates of the transaction. Assets and liabilities denominated in foreign currencies are translated into £ at the rate of exchange ruling at the Statement of Financial Position date. Exchange differences including those arising from adjustment to fair value of financial instruments during the period, are included in the Statement of Comprehensive Income.

**h) Segment information**

IFRS 8 'Operating Segments' was issued by the IASB in November 2006 and is effective for annual periods beginning on or after 1 January 2009, with early application permitted. This standard requires disclosures on the financial performance of the operating segments of the entity. The Directors are of the opinion that the Company is engaged in a single segment of business, being investing in natural resources companies.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

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

**i) Net asset value per share**

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

**j) New accounting pronouncements**

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

IFRS 1: First-time Adoption of International Financial Reporting Standards - New Structure

IFRS 1: First-time Adoption of International Financial Reporting Standards - Additional exemptions (Amendments)

IFRS 2: Group Cash-Settled Share - Based Payment Arrangements (Amendments) - for accounting periods commencing on or after 1 January 2010

IFRS 3: Business combinations (Revised) - for accounting periods commencing on or after 1 July 2009

IAS 27: Consolidation and Separate Financial Statements (Amendment) - for accounting periods commencing on or after 1 July 2009

IAS 39: Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009

IFRS 12 Service Concessions - for accounting periods commencing on or after 28 March 2009

IFRS 15: Agreements for the Construction of Real Estate - for accounting periods commencing on or after 31 December 2009

IFRIC 17: Distribution to non - cash assets to owners - for accounting periods commencing on or after 1 July 2009

IFRIC 18: Transfers of Assets from Customers - effective from 1 July 2009

These standards have been adopted in the Company's accounting policies.

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010

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

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

\* includes interest income of £170,235.

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

	2010 £
<b>Financial assets and liabilities at fair value through profit or loss</b>	
<i>Realised (losses)/gains on:</i>	
- Fixed income instruments	(84,150)
	(84,150)
<i>Unrealised gains/(losses) on:</i>	
- Listed equity shares	1,983,502
- Unlisted equity shares	(1,741,792)
- Fixed income instruments	(13,090)
- Warrants	3,805,811
	4,034,431
<b>Net gain on financial assets and liabilities at fair value through profit or loss</b>	3,950,281

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

	Quoted prices in active markets Level 1 £	Quoted market based observables Level 2 £	Unobservable inputs Level 3 £	Total £
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	7,004,828	-	-	7,004,828
Unlisted equity shares	-	-	35,188,512	35,188,512
Warrants	-	-	12,213,998	12,213,998
Fixed income instruments	12,753,510	-	-	12,753,510
	19,758,338	-	47,402,510	67,160,848

In determining an investment's placement within the fair value hierarchy, the Directors take into consideration the following.

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

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include certain less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company did not hold any such investments at 31 December 2010.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010****3. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

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

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

Basic net asset value per share is based on the net assets of £68,274,298 and 66,040,632 Ordinary Shares, being the number of shares in issue at the period end. The subscription shares are entitled to be converted to ordinary shares at 100p per share.

The calculation for basic net asset value is as below:-

	<b>Ordinary Shares</b>	<b>Subscription Shares</b>
<b>31 December 2010</b>		
Net assets at the period end (£)	68,274,298	13,197,051
Number of shares	66,040,632	13,197,051
Basic net asset value per share (in pence)	103.38	

The basic and diluted earnings per share is based on the net gain for the period of the Company of £3,609,143 and on 66,035,918 Ordinary Shares, being the weighted average number of shares in issue during the period. This calculation is done in accordance with IFRS.

**5. RISK MANAGEMENT POLICIES AND DISCLOSURES**

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

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

**Risk exposures and responses**

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's core investment objective whilst maintaining future financial security. The main risks that could adversely affect the Company's financial assets, or future cash flows are market risk (comprising, market price risk, currency risk and interest rate risk), commodity price risk, liquidity risk and credit risk.

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

**a) Market risk**

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

**i. Market Price risk**

Market price risk is the risk that the fair value or 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 2011. The sensitivity analysis assumes all other variables are held constant.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

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

**a) Market risk (continued)**

**i. Market Price risk (continued)**

The impact of a 10% increase in the value of investments on the net assets and revenue of the Company as at 31 December 2010 would have been an increase of £6,716,084. A decrease of 10% would have had an equal but opposite effect on both the net assets and revenue

**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-£ 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 2010.

**31 December 2010**

<b>Currency</b>	<b>Amount</b>	<b>Conversion rate (based on £)</b>	<b>Value £</b>	<b>% of net assets</b>
GBP	14,403,704	1.0000	14,403,704	21.10
AUD	5,577,272	0.6555	3,655,902	5.35
USD	57,577,068	0.6405	36,878,112	54.01
EURO	(10,469)	0.8589	(8,992)	(0.01)
CAD	20,726,156	0.6439	13,345,572	19.55
			<b>68,274,298</b>	<b>100</b>

At 31 December 2010, had any foreign currencies strengthened by 5% relative to sterling, with all other variables held constant, total equity would have increased by the amounts shown below.

<b>Currency</b>	<b>Value £</b>
AUD	182,795
USD	1,843,906
EURO	(450)
CAD	667,279
	<b>2,693,530</b>

A 5% decrease in foreign currencies relative to sterling, with all other variables held constant, would lead to a corresponding decrease in the total equity by the exact amounts as shown in the above tables. The estimated movement is based on management's determination of a reasonably possible change in foreign exchange rates. In practice, the actual results may differ from the sensitivity analysis above and the difference could be material.

**iii. Interest rate risk**

Although the Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, it is subject to little direct exposure to interest rate fluctuations as the majority of the financial assets are equity investments which do not pay interest. Any excess cash and cash equivalents are invested at short-term market interest rates which exposes the Company, to a limited extent, to interest rate risk and corresponding gains/losses from a change in the fair value of these financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**
**5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)**
**a) Market risk (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 2010</b>	<b>Up to 1 month</b>	<b>1 - 3 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	1,013,506	-	-	1,013,506
Financial assets held at fair value through profit or loss	-	12,753,510	54,407,338	67,160,848
Other receivables		-	330,561	330,561
<b>Total Assets</b>	<b>1,013,506</b>	<b>12,753,510</b>	<b>54,737,899</b>	<b>68,504,915</b>
	<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>Liabilities</b>				
Investment management fees payable	-	-	79,513	79,513
Formation expenses payable	-	-	26,529	26,529
Director fees payable	-	-	36,000	36,000
Audit fees payable	-	-	40,000	40,000
Administration fees payable	-	-	10,193	10,193
Other payables	-	-	38,382	38,382
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>230,617</b>	<b>230,617</b>
<b>Interest rate sensitivity gap</b>	<b>1,013,506</b>	<b>12,753,510</b>		

**Interest rate sensitivity**

At 31 December 2010, should interest rates have fallen between 10 and 25 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of Ordinary Shares for the period would amount to approximately £1,014 and £2,534 for assets up to 1 month respectively and £12,753 and £31,884 for assets more than 6 months respectively. If interest rates had risen by between 10 and 25 basis points, the increase in net assets attributable to holders of Ordinary Shares would amount to approximately £1,014 and £2,534 for assets up to 1 month respectively and £12,753 and £31,884 for assets more than 6 months respectively.

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

The Board reviews and agrees policies for managing these risks. The Investment Manager assesses the exposure to market risk when making investment decisions and monitors the overall level of market risk on the investment portfolio on an ongoing basis.

**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. However in general, long term commodity price increases should give rise to an increase in fair value.

**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 manages overall liquidity by investing through reputable brokers who trade in global markets. In addition, the Company is fully funded.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

c) **Liquidity risk (continued)**

The Company has the ability to incur borrowings of up to 10 percent of its Net Asset Value but the Company's policy is to restrict any such borrowings for temporary purposes only such as settlement mis-matches.

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

At 31 December 2010	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	1,013,506	-	-	-	-	1,013,506
Financial assets held at fair value through profit or loss	-	23,955,707	531,708	480,093	42,193,340	67,160,848
Other receivables	330,561	-	-	-	-	330,561
	<u>1,344,067</u>	<u>23,955,707</u>	<u>531,708</u>	<u>480,093</u>	<u>42,193,340</u>	<u>68,504,915</u>
	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	151,935	38,382	40,000	-	-	230,617
<b>Total liabilities</b>	<u>151,935</u>	<u>38,382</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>230,617</u>

Net assets attributable to shareholders 68,274,298

d) **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full as they fall due. The Company has exposure to credit risk in relation to its cash balances, fixed income instruments and trade receivables as stated in the Statement of Financial Position.

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

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

6. TAXATION

The Company is a Guernsey Exempt Company and is therefore not subject to taxation on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual exempt fee of £600 has been paid.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

**7. ADMINISTRATION FEES**

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

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

The administration fees paid for the period from 9 March 2010 (date of incorporation) to 31 December 2010 were £74,773 of which £10,193 was payable at 31 December 2010.

**8. MANAGEMENT AND PERFORMANCE FEES**

The Manager was appointed pursuant to a management agreement with the Company dated 31 March 2010 (the "Management Agreement"). The Company pays to the Manager a management fee which is equal to 1/12th of 1.75% of the total market capitalisation of the Company per month. The management fee is calculated and accrued as at the last Business Day of each month and is paid monthly in arrears.

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

The amount of the performance fee (if any) will be 15 per cent of the total increase in the Net Asset Value at the end of the relevant Performance Period over the highest previously recorded Net Asset Value as at the end of a Performance Period in respect of which a performance fee was last accrued, (or the Issue Price multiplied by the number of shares in issue as at Admission, if no performance fee has been so accrued) having made adjustments for numbers of Ordinary Shares issued and/or repurchased as described above.

The first performance period commenced on the date of Admission and ended on 31 December 2010 and thereafter, is each 12 month period ending on 31 December in each year (the "Performance Period"). The last Performance Period will end on the date on which the Management Agreement is terminated or the Company is wound up. No performance fees were accrued or paid in respect of the period ended 31 December 2010

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. The management fees paid for the period ended 31 December 2010 were £724,147 of which £79,513 was outstanding at the period end.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

**9. OTHER EXPENSES**

For the period ended 31 December 2010	<b>TOTAL</b>
	<b>£</b>
Legal and professional fees	27,749
Agents fees	25,000
Consulting fees	19,859
Board meeting expenses	12,860
Marketing costs	11,044
Listing fees	10,891
Compliance fees	10,000
Insurance fees	12,000
Investor servicing fee	3,596
Guernsey financial services fee	2,250
Website expenses	2,040
Miscellaneous expenses	31,329
	<u>168,618</u>

**10. CASH AND CASH EQUIVALENTS**

	<b>31 December 2010</b>
	<b>£</b>
Cash and cash equivalents	1,013,506
Total	<u>1,013,506</u>
Represented by:	
Deposits at HSBC Bank plc	<u>1,013,506</u>

**11. SHARE CAPITAL**

The authorised share capital of the Company on incorporation was represented by an unlimited number of Ordinary Shares of no par value. The Company raised £30,468,865 through the issue of 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares via a Placing and Offer. In addition, the Company issued 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares to the holders of shares in Genus Capital Fund pursuant to a scheme of reorganisation of Genus Capital Fund, in exchange for substantially all the non-cash assets of Genus Capital Fund which are detailed as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

**11. SHARE CAPITAL (CONTINUED)**

With effect from 30 September 2010, 7,543 Ordinary Shares were issued as a result of the exercise of Subscription Shares. The Company has in issue 66,030,632 Ordinary Shares and 13,197,051 Subscription Shares denominated in sterling.

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

On 28 April 2010 the Ordinary Shares and Subscription Shares were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

In addition, the Company has 10,000 Management Ordinary Shares in issue, which are held by the Investment Manager. No application has been or will be made to have the Management Ordinary Shares admitted to listing on the Official List or to trading on the London Stock Exchange's Main Market for listed securities.

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

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

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

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

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

	<b>31 December 2010</b>
<b>Issued and fully paid share capital</b>	
Ordinary Shares of no par value*	66,030,632
Subscription Shares of no par value	<u>13,197,051</u>

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

	<b>Ordinary Shares*</b>	<b>Subscription Shares</b>
Issued during the period via Placing and Offer	30,468,865	6,093,772
Conversion of Subscription Shares	7,543	(7,543)
Issued during the period to holders of Genus Capital Fund	<u>35,554,224</u>	<u>7,110,822</u>
Balance at 31 December 2010	<u>66,030,632</u>	<u>13,197,051</u>

\* In addition 10,000 Management Ordinary Shares were issued. On 9 March 2010, 1 Management Ordinary Share was issued and on 26 March 2010, 9,999 Management Ordinary Shares were issued.

**Capital Management**

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

**11. SHARE CAPITAL (CONTINUED)**

The Company's investment strategy is to invest in natural resources companies, predominantly unlisted. Whilst there are no fixed limits on the allocation of investments between unlisted securities and listed equities, equity-related securities and cash, typically the Investment Manager will aim for the Company over the long term to be between 40% and 100% invested by value of gross assets and up to 10% by value of gross assets to be held in cash and cash like holdings. The Company will aim to hold sufficient cash to meet ongoing operational expenses. Where deemed appropriate, the Company may borrow up to 10% of NAV for temporary purposes such as settlement mismatched.

At 31 December 2010 the Company was 79.7% invested. Of the Company's total assets, 18.6% was held in short term UK Government gilts maturing in less than 3 months.

It is not currently envisaged that any income or gains will be distributed by way of dividend, although this does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so.

The Board monitors the extent to which capital has been deployed and the manner in which capital has been invested, using inter alia, sectoral and geographic analyses.

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

**12. RELATED PARTY TRANSACTIONS**

Transactions with related parties are based on terms equivalent to those that prevail in an arm's length transaction. The following transactions with related parties took place for the period ended 31 December 2010.

On 30 March 2010 the Company agreed to acquire the majority of the non-cash assets of Genus Capital Fund as set out in the Prospectus issued by the Company dated 31 March 2010. Charles Hansard and Edward Flood were also directors of Genus Capital Fund. Edward Flood and Charles Hansard resigned from Genus Capital Fund's Board of Directors on 12 July 2010 and on 26 July 2010 respectively.

Genus Dynamic Gold Fund (GDGF) is a related party by virtue of common Manager and Investment Manager with the Company. GDGF had an interest in 3,000,000 Ordinary Shares and 600,000 Subscription Shares in the Company at 31 December 2010.

CF Ruffer Baker Steel Gold Fund (CFRBSG) is a related party by virtue of common Investment Manager with the Company. CFRBSG had an interest in 7,100,000 Ordinary Shares and 1,420,000 Subscription Shares in the Company at 31 December 2010.

Baker Steel Gold Fund (BSGF) is a related party by virtue of common Investment Manager with the company. BSGF had an interest in 1,472,070 Ordinary Shares and 294,414 Subscription Shares in the Company at 31 December 2010.

Genus Natural Resources Fund (GNRF) is a related party by virtue of common Manager and an Investment Manager with the company. GNRF had an interest in 1,727,308 Ordinary Shares and 441,513 Subscription Shares in the Company at 31 December 2010.

Ironman Investment Company Limited, which is wholly owned by the Investment Manager, had an interest of 82,557 Ordinary Shares and 16,451 Subscription Shares at 31 December 2010.

The Manager, Baker Steel Capital Managers (Cayman) Limited had an interest in 430,348 Ordinary Shares and 86,069 Subscription Shares at 31 December 2010.

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary shares at 31 December 2010.

Directors' remuneration

For the period from 9 March 2010 to 31 December 2010 the total remuneration of the Directors was £116,000, with £36,000 payable at year end.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 9 MARCH 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010**

**13. SUBSEQUENT EVENTS**

AWR Lloyd was appointed by the Investment Manager to provide it with investment advice in relation to the Company since launch. With effect from 1 January 2011, AWR Lloyd has been replaced with a new investment advisor entity AWR Capital ("AWRC"). The Investment Manager and AWRC have entered into a new investment advisor agreement on identical terms to the previous agreement in place with AWR Lloyd (which has now been terminated). There has been no impact on the duties provided or the personnel involved.

On 10 January 2011, the Company announced an unaudited NAV for 31 December 2010 of 96.9p per share. During December 2010, Ivanhoe Nickel & Platinum ("Ivanplats") undertook a placing of stock equivalent to around 1% of the shares in issue of Ivanplats. At the time the year end NAV was being finalised, it was unclear whether this placing represented a change in fair value and the carrying value was, therefore, not changed. However, during January, a further larger placing and significant trading on the "grey" market demonstrated that the December placing had indeed indicated an upward revaluation was necessary. This increase has been included in these financial statements and was also reflected in the 31 January 2011 NAV statement announced on 4<sup>th</sup> February 2011.

There were no other significant subsequent events since the period end.

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

The Annual Report and Audited Financial Statements for the period from 9 March 2010 to 31 December 2010 were approved by the Board of Directors on 21 April 2011.