



BAKER STEEL RESOURCES TRUST LIMITED

Annual Report and Audited Financial Statements

For the year ended 31 December 2013

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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)

REGISTERED OFFICE:

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

MANAGER:

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

INVESTMENT MANAGER:

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

STOCKBROKERS:

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT
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

ADMINISTRATOR & COMPANY SECRETARY:

HSBC Securities Services (Guernsey) Limited
Arnold House
St. Julian's Avenue
St. Peter Port
Guernsey GY1 3NF
Channel Islands

MANAGEMENT AND ADMINISTRATION (CONTINUED)

SUB-ADMINISTRATOR TO THE COMPANY:	HSBC Securities Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
CUSTODIAN TO THE COMPANY:	HSBC Institutional Trust Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
AUDITOR:	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF Channel Islands
REGISTRAR:	Capita Registrars (Guernsey) Limited Longue Hougue House St. Sampson Guernsey GY2 4JN Channel Islands
UK PAYING AGENT AND TRANSFER AGENT:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
RECEIVING AGENT	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
PRINCIPAL BANKER:	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom

INVESTMENT OBJECTIVES AND POLICIES**Investment objective**

The investment objective of Baker Steel Resources Trust Limited (the “Company”) 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 that have not yet made an initial public offering (“IPO”)) but also in listed securities (including special situations opportunities and less liquid securities) with a view to exploiting value inherent in market inefficiencies and pricing anomalies.

Investment policy

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

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

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

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

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

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

- between 40 and 100 per cent of the value of its gross assets in unlisted equities or equity-related securities;
- up to 50 per cent of the value of its gross assets in listed equities or equity-related securities;
- up to 10 per cent of the value of its gross assets in cash or cash-like holdings; and
- typically in 10 to 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 net asset value (“NAV”) as at the date of acquisition.

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

The investment policy has the following limits:

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

INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

Investment policy (continued)

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

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

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

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

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

CHAIRMAN'S STATEMENT

For the year ended 31 December 2013

2013 was a challenging year for the mining industry and its investors, as demonstrated by the Euromoney Mining 100 Index falling 25.7% and the FTSE Gold Mines Index falling 54.1% in Sterling terms. The difficult market conditions were exacerbated as the Company's investments are focused on development stage assets which require continuing funding in order to make progress and they have typically found it testing to find new sources of finance. Unsurprisingly, against this market background, none of the Company's private investee companies felt conditions were appropriate for them to list through an Initial Public Offering, an important means for the Company to realise latent value in its holdings. The Company's NAV fell 43.2% during the year. Much of this fall was due to the 62.6% decrease in the market value of the Company's largest investment, Ivanhoe Mines Limited, on the Toronto Stock Exchange despite it making good progress on all three of its main projects.

The lack of transactions meant that the Company reflected the falls in comparable publicly listed shares when arriving at the value of its unlisted equities and this resulted in write downs to Ferrous Resources, Gobi Coal & Energy and Bilboes Gold during the year. The investments in the portfolio that best retained their value were those where the Company had invested in a structured way such as through convertible debt as in Polar Silver and Black Pearl. These structured products give more security than pure equity investment, whilst retaining the equity upside through the conversion rights.

I commented in my Chairman's Statement last year on the issue of "resource nationalism" whereby countries are seeking an even greater slice of the mining pie from royalties, "indigenisation" and/or direct stakes. Another issue facing the mining industry in emerging markets is the desire of governments to have more of the refining and addition of value to the products from mining undertaken within the country in order to promote local skills and jobs. Although this might be a reasonable policy in the long term, factors such as size and quality of deposits as well as available infrastructure, can make local dedicated smelting and refining uneconomic. This could effectively sterilise certain, otherwise viable, mining projects for a significant period and is an issue that the Company will need to take into account when considering new investments in emerging nations.

I would again like to thank all our shareholders for their continuing support of the Company and am confident that, in time, the latent value of the Company's investments will be realised. The falling markets of the past two years have not only meant that prices for mining companies are very low when valued over the longer term but, as the sector has been starved of capital to develop new projects, these have created a greater number of opportunities for the suppliers of capital, such as the Company, to negotiate the manner in which investments are structured to give greater protection on the downside. The Board continues to explore ways in which the Company can raise new funds to invest at this opportune time.

Howard Myles
Chairman
Date

INVESTMENT MANAGER'S REPORT**For the year ended 31 December 2013****Financial Performance**

The audited undiluted Net Asset Value per Ordinary Share as at 31 December 2013 was 62.0 pence, a decrease of 43.2% in the year and a decrease of 36.7% from the Company's first net asset value ("NAV") calculated on 30 April 2010. During the year the Euromoney Global Mining 100 Index was down 25.7% (down 37.8% since 30 April 2010).

For the purpose of calculating the net asset value per share, unquoted investments are carried at fair value as at 31 December 2013 as determined by the Directors and quoted investments are carried at last quoted price as at 31 December 2013.

Net assets at 31 December 2013 comprised the following:

	£m	% net assets
Unquoted Investments	26.7	65.1
Quoted Investments	13.9	34.1
Net Cash Equivalents and Accruals	0.3	0.8
	<hr/> 40.9	<hr/> 100.0

Investment Update**Largest 10 Investments – 31 December 2013**

Ivanhoe Mines Limited (formerly Ivanplats Limited)	18.9%
Black Pearl Limited Partnership	13.3%
Ironstone Resources Limited	12.6%
Gobi Coal & Energy Limited	12.5%
Bilboes Gold Limited	10.1%
Polar Silver Resources Ltd/Argentum	8.7%
China Polymetallic Mining Company Limited	7.1%
Ferrous Resources Limited	6.3%
Metals Exploration plc	5.9%
South American Ferro Metals Limited	1.5%
Other Investments	2.3%
Net Cash, Equivalents and Accruals	0.8%

Largest 10 Investments – 31 December 2012

Ivanplats Limited*	37.7%
Gobi Coal & Energy Limited	14.5%
China Polymetallic Mining Company Limited	9.0%
Bilboes Gold Limited	8.4%
Ironstone Resources Limited	7.5%
Black Pearl Limited Partnership	6.8%
Ferrous Resources Limited	6.1%
Polar Silver Resources Ltd/Argentum	5.1%
Metals Exploration plc	3.5%
Copperbelt Minerals Limited	2.2%
Other Investments	3.6%
Net Cash, Equivalents and Accruals	(4.4%)

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

INVESTMENT MANAGER'S REPORT (CONTINUED)**For the year ended 31 December 2013****Investment Update**

At the year end, the Company was fully invested, holding 15 investments of which the top 10 holdings comprised 96.9% of the portfolio by value. The portfolio is well diversified both in terms of commodity and geographical location of the deposits. In terms of commodity the portfolio is concentrated on the large liquid markets of iron ore, coal, copper, platinum group metals, nickel, silver and gold. Its projects are located in South Africa, Democratic Republic of Congo, Indonesia, Canada, Mongolia, Zimbabwe, Russia, China, Brazil and the Philippines.

2013 was a challenging year for the mining sector with the Euromoney Mining 100 Index falling 25.7% and the FTSE Gold Mines Index falling 54.1%. The Company's investments were not immune to this headwind, with the NAV falling 43.2% during the year. A significant portion of this fall reflects the Company's valuation policy which takes into consideration the price movements of comparable publicly listed shares when arriving at the value of the unlisted equities at the half and full year, where there has not been a relevant pricing transaction in the previous 6 months. At 30 June 2013, Ferrous Resources and Gobi Coal & Energy Ltd were written down by 40% and 50% respectively and at 31 December 2013, the carrying value of Bilboes Gold Ltd ("Bilboes") was reduced by 25%.

At the beginning of the year, the Company was fully invested and a consequence of the weak market for mining shares was that none of the private companies in the portfolio considered conditions to be attractive to undertake an Initial Public Offering ("IPO"). As a result, apart from the completion of the sale of Copperbelt Minerals in January 2013 and the sale of some of Ivanhoe Mines Limited ("Ivanhoe") as the lock-up arrangements partially expired there were no significant realisations or new investments made during the year. The Investment Manager's endeavours were therefore concentrated on husbanding the existing core portfolio.

Despite the weak backdrop, the majority of the Company's investments made good operational progress on their projects including the Company's largest position, Ivanhoe, which made progress on all three of its main projects. In February 2013, Ivanhoe announced a significant upgrade to the independent resource estimate at its Platreef project in South Africa. Using a 2 grams per tonne (g/t) cut-off grade, total contained 4PE (platinum, palladium, rhodium and gold) almost doubled to 73.2 million ounces 4PE, which included for the first time mineral resources in the "Indicated" category. Indicated Mineral Resources were estimated at 223 million tonnes grading 4.1 g/t 4PE, 0.34% nickel and 0.16% copper, at a 2.0 g/t 4PE cut-off grade. Inferred Mineral Resources totalled 410 million tonnes grading 3.3 g/t 4PE, 0.32% nickel. The main competitive advantage of the Platreef project is that its average true thickness of 24 metres and flat lying geometry of the reef means Ivanhoe can utilise highly mechanised mining techniques as opposed to the thin dipping reefs currently being mined in South Africa which require a highly labour-intensive mining method.

In November 2013 Ivanhoe reported the findings of a Preliminary Economic Assessment ("PEA") of its Kamoa copper discovery in the Democratic Republic of Congo. The PEA, which conforms to the requirements of Canada's National Instrument 43-101 ("NI-43-101") reflects a two-phased approach to the development of Kamoa. The first phase of mining will target high-grade copper mineralisation from shallow, underground resources mining at a rate of 3 million tonnes per annum to yield a high-value concentrate and generate early cashflows. The second phase will entail an expansion of the mine and mill to 11 million tonnes per annum and construction of a smelter with a capacity to produce 300,000 tonnes per annum of blister copper. The two-phased approach has the advantage of reducing pre-production capex requirements to US\$1.4 billion.

In December 2013, Ivanhoe announced that its de-watering programme at the historic, high-grade Kipushi copper-zinc-germanium-lead mine in the Democratic Republic of Congo had achieved its key initial objective of restoring access to the main underground working level, enabling it to commence a 100 hole, 20,000-metre, underground diamond-drilling programme, designed to confirm the mine's estimated, remaining high-grade resources and to seek to further expand the resources on strike and at depth. Despite the good advances made on its three main projects, the share price of Ivanhoe on the Toronto Stock Exchange fell by 62.6% as investors appeared to be concerned about how these large projects would be financed.

On the development side Black Pearl constructed its facilities to mine its iron sands project in Indonesia and is on course to produce 5 million tonnes of iron ore concentrate in 2014, with plans for this to be rapidly expanded in 2015. During the year, Bilboes successfully brought its previously producing heap leach oxide operations back on stream and plans to produce 12,000 ounces of gold in 2014. During 2014 Bilboes is scheduled to complete its pre-feasibility study to develop a mine producing over 100,000 ounces per annum, initially from open pit, from the underlying 4 million ounce sulphide gold resource. In 2013, Metals Exploration plc commenced development of its 100,000oz per annum Runruno gold mine which is scheduled for first gold pour at the end of 2014. At 31 January 2014, construction was 46% complete and remained on schedule and within budget.

Ferrous Resources Limited ("Ferrous") continued to deliver on the new management team's targets, achieving production in advance of guidance at 5.1 million tonnes of iron ore product during the year, a 60% increase in 2013. It also completed a positive feasibility study to increase production from its Viga Mine from 3.4 million tonnes per annum to 15 million tonnes per annum.

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

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2013

Description of Largest Investments (as at 31 December 2013)

Ivanhoe Mines Limited (formerly Ivanplats Limited) ("Ivanhoe")

Ivanhoe is a company listed on the Toronto Stock Exchange which holds the Kamoa copper project (95% owned) and Kipushi zinc mine (68% owned) both in the Democratic Republic of Congo ("DRC") and the Platreef nickel, platinum, palladium, copper and gold project (90% owned) in South Africa.

At Kamoa, Indicated Mineral Resources are estimated at 739 million tonnes grading 2.67% copper containing 19.7 million tonnes of copper together with 4.4 million tonnes of copper in Inferred Mineral Resources. A Preliminary Economic Assessment ("PEA") released in September 2013 reflects a two-phased approach to the development of Kamoa. The first phase of mining will target high-grade copper mineralisation from shallow, underground resources mining at a rate of 3 million tonnes per annum to yield a high-value concentrate and generate early cashflows. The second phase will entail an expansion of the mine and mill to 11 million tonnes per annum and construction of a smelter with a capacity to produce 300,000 tonnes per annum of blister copper.

The Platreef Project has Indicated Mineral Resources estimated at 223 million tonnes grading 4.1 grams per tonne (g/t) 4PE (platinum, palladium, gold and rhodium), 0.34% nickel and 0.16% copper, at a 2.0 g/t 4PE cut-off grade and at a cumulative, average true thickness of 24.3 metres. In addition, there are Inferred Mineral Resources of 410 million tonnes grading 3.3 g/t 4PE, 0.32% nickel and 0.18% copper, at an average true thickness of 18.0 metres. The combined Indicated and Inferred Resources contains 73.2 million ounces of 4PE. An independent PEA on Platreef released in March 2014 envisaged a large mechanised underground mine developed also on a phased approach. An initial 4 million tonnes per annum (Mtpa) scenario would establish an operating platform at 455,000 ounces 4PE per annum which would immediately be followed by an expansion to 8 Mtpa producing 785,000 ounces 4PE as the base case. There are plans for a further expansion to 12 Mtpa (1.1 million ounces 4PE).

The Kipushi zinc/polymetallic mine in the DRC previously produced 60 million tonnes of ore at 11% zinc and 6% copper together with 120 tonnes of germanium from 1925-1993. The shaft has been de-watered to allow access to the main underground working level and a 100 hole, 20,000 metre, underground diamond-drilling programme is underway, designed to confirm the mine's estimated, remaining high-grade resources and to seek to further expand the resources on strike and at depth.

Black Pearl Limited Partnership ("Black Pearl")

Black Pearl is a special purpose vehicle formed to invest in the Black Pearl beach placer iron sands project in West Java, Indonesia. The Black Pearl concession area is 15,000 ha of which 1,600 ha has been drilled. JORC compliant Mineral Resources stand at 572 million tonnes grading 11% Fe.

The mine is expected to produce 5 million tonnes of iron ore concentrate grading 58-60% Fe in 2014 and plans are in place for the production rate to be rapidly expanded to 20 million tonnes per annum in 2015. Off-take agreements have been signed with a number of Chinese steel mills for the full planned production of 20 million tonnes.

Ironstone Resources Limited ("Ironstone")

Ironstone is a private Canadian company which owns the Clear Hills Iron Ore/Vanadium Project ("Clear Hills") in Alberta, Canada. Clear Hills currently has Indicated Resources of 557.7 million tonnes at 33.3% iron and 0.2% vanadium and an Inferred Resource of 94.7 million tonnes at 34.1% iron.

In conjunction with pyrotechnology experts HATCH of Toronto, Ironstone is making good progress on developing a proprietary metallurgical process to refine the ore into direct reduced iron. Once proven, this process could be applied not only to Clear Hills but also to other significant iron ore deposits globally.

Gobi Coal & Energy Limited ("Gobi")

Gobi is an emerging coking coal producer based in Mongolia. Gobi owns 100% of three open cut coal development projects in southwestern Mongolia. The company's projects contain approximately 322 million tonnes of JORC resources and include more than 500,000 hectares of tenements.

Gobi's first project, Shinejinst, contains approximately 95 million tonnes of JORC reserves and 229 million tonnes of JORC resources and has completed site works in anticipation of the start of production which will depend on a recovery of the price of coking coal delivered to the Mongolian/Chinese border. At full production, Shinejinst is planned to produce approximately 5 million tonnes per annum of high quality, semi-soft coking coal product.

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2013

Description of Largest Investments (continued)

Bilboes Gold Limited ("Bilboes")

Bilboes is a private Zimbabwean based gold mining company which owns four previously producing oxide mines in Zimbabwe. The oxide mines were restarted in 2013 and are scheduled to produce approximately 12,000 ounces of gold in 2014.

In addition Bilboes has JORC compliant Indicated Mineral Resources of 29.3 million tonnes grading 2.12 g/t in the underlying sulphide mineralisation and Inferred Mineral Resources of 30.0 million tonnes grading 2.03 g/t. Contained gold in the combined Indicated and Inferred sulphide resources totals 3,964,000 ounces. The mineralisation is open along strike and at depth so there is good potential for these mineral resources to be increased. A pre-feasibility study to investigate a mine producing 100,000 to 200,000 ounces per annum, initially from open pit, is planned to be completed in the third quarter of 2014.

Polar Silver Resources Limited ("Polar Silver")

Polar Silver is a private company which holds a 50% indirect interest in the Prognoz silver project, 444km north of Yakutsk in Russia ("Prognoz"). A NI 43-101 compliant report by independent consultant Micon International Limited ("Micon") of July 2009, estimated an Indicated Resource of 5.86 million tonnes of ore grading 773 g/t silver containing 146 million ounces of silver and Inferred Resources of 9.64 million tonnes of ore grading 473 g/t silver containing 147 million ounces of silver at Prognoz. A NI 43-101 compliant PEA by Micon envisages a mine producing an average of 13 million ounces of silver per annum over a 16 year mine life.

China Polymetallic Mining Limited ("CPM")

CPM is an emerging Chinese mining company listed on the Hong Kong Stock Exchange. BSRT's investment is via a special purpose vehicle Five Stars B.S. Limited Partnership. CPM has a number of development projects in Yunan province of China, the first of these, the Shizishan lead-zinc-silver mine started production in 2011 and reached its full production rate of 2,000 tonnes per day in December 2012. The Shizishan Mine has JORC compliant resources totalling 9.3 million tonnes grading 249g/t silver, 9.3% lead and 6.0% zinc for contained metal of 77 million ounces silver, 878,500 tonnes lead and 563,000 tonnes zinc. It is targeted to produce an average of 5 million ounces of silver, 57,000 tonnes lead and 35,000 tonnes zinc per annum over an expected mine life of 15 years. During 2013 Shizishan produced 1.74 million ounces of silver (2012 1.4Moz), 23,500 tonnes of lead (20,300t), and 17,900 tonnes of zinc (16,500t).

CPM's second project, the Dakuangshan silver lead-zinc mine started commercial production in December 2012 and attained full production of 600 tonnes per day in September 2013. CPM is also developing the Liziping Mine, a large-scale lead-zinc project and the Menghu Mine, a high-grade oxidized lead mine. It has also secured exclusive long-term, low-cost polymetallic raw ore supply from Lushan, a tungsten-tin mine.

Ferrous Resources Limited ("Ferrous")

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

During 2013, Ferrous' Viga Mine produced 3.40 million tonnes and the Esperança Mine produced 1.73 million tonnes to give a total 5.13 million tonnes of iron ore product for the year, a 60% increase from 2012. In July 2013 Ferrous completed a positive feasibility to expand the production at Viga to 15 million tonnes per annum.

Metals Exploration plc ("Metals Exploration")

Metals Exploration is an AIM listed company which owns the Runruno gold project in the Philippines. Work to date has a defined mineral resource of 1.39 million ounces of gold, and 25.6 million pounds of molybdenum with 1,050,000oz gold reporting to the Measured and Indicated categories and 900,000oz gold within the Mining Proven & Probable Reserve category. Site works for a mine producing approximately 100,000 ounces of gold per annum at Runruno commenced during 2012, full development commenced mid-2013 and construction is on track for the project to commence production towards the end of 2014.

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2013

Description of Largest Investments (continued)

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 contains a JORC compliant mineral resource estimated at 301.6 million tonnes ore grading 40.7% Fe.

During 2013 Ponto Verde mined 1.5 million tonnes run of mine ore for the year and produced 744,000 tonnes of beneficiated product. SAFM is undertaking a feasibility study to increase the mining rate to 8 million tonnes of ore per annum which is expected to be completed during the third quarter of 2014.

DIRECTORS' REPORT**For the year ended 31 December 2013**

The Directors of the Company present their fourth annual report and the audited financial statements for the year ended 31 December 2013.

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 Ordinary Shares are currently admitted to the Premium Listing segment of the Official List. Following the expiry of the Transitional Provision contained in Listing, Prospectus, Disclosure and Transparency Rules 7 of the Listing Rules, effect 1 June 2012, Subscription Shares of no par value were assigned to the Standard Segment of the Official list, but following the final exercise date for the Subscription Shares on 2 April 2013, as no Subscription Shares were exercised at this time, all Subscription Shares were subsequently cancelled.

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 ("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 21 and 22.

The Investment Manager's report on pages 6 to 10 includes a review of the main developments during the year together with information on investment activity within the Company's Portfolio and on the market outlook.

Performance

In the year to 31 December 2013, the Company's undiluted NAV per Ordinary Share decreased by 43.2% (2012: decrease of 16.9%). This compares with a fall in the Euromoney Mining 100 Index (capital return in Sterling terms) of 25.7% (2012: fall of 4.6%).

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 26 and the Company's financial position at the end of the year is shown in the Statement of Financial Position on page 25.

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 year were:

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

DIRECTORS' REPORT (CONTINUED)**For the year ended 31 December 2013****Directors (continued)**

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

	Board Meetings		Audit Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Howard Myles	4	4	3	3	3	1
Christopher Sherwell	4	4	3	3	3	3
Charles Hansard	4	4	N/A	N/A	3	0
Clive Newall	4	2	3	2	3	0
Edward Flood	4	2	N/A	N/A	3	2

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

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

For the year ended 31 December 2013 the total remuneration of the Directors was £140,000 (2012: £140,000), with £36,000 (2012: £36,000) payable at year end.

The Directors' interests in the share capital of the Company at 31 December 2013 are:

	Number of Ordinary Shares
Edward Flood	65,000
Christopher Sherwell	25,000
Clive Newall	25,000

The Directors' interests in the share capital of the Company at 31 December 2012 were:

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

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

Significant Shareholdings

The significant shareholdings in the Company at 31 December 2013 were:

Ordinary Shareholder	Number of Ordinary Shares	% of Total Shares in issue
The Bank of New York (Nominees) Limited*	24,417,501	36.92
HSBC Global Custody Nominees Limited*	7,407,119	11.20

* Custodian accounts held on behalf of individual shareholders. These holdings are aggregated.

CF Ruffer Baker Steel Gold Fund ("CFRBSGF") had an interest in 6,080,000 Ordinary Shares in the Company at 31 December 2013. These shares are held in a custodian account with The Bank of New York (Nominees) Limited. CFRBSGF shares a common Investment Manager with the Company.

The Manager, Baker Steel Capital Managers (Cayman) Limited, had an interest in 504,832 Ordinary Shares at 31 December 2013. The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary Shares at 31 December 2013.

DIRECTORS' REPORT (CONTINUED)**For the year ended 31 December 2013****Authorised and Issued Share Capital**

The share capital of the Company on incorporation was represented by an unlimited number of Ordinary Shares of no par value. The Company may issue an unlimited number of shares of a nominal or par value and/or of no par value or a combination of both. The Company raised £30,468,865 (before costs) through the issue of 30,468,865 Ordinary Shares and 6,093,772 Subscription Shares via a Placing and Offer. In addition, the Company issued 35,554,224 Ordinary Shares and 7,110,822 Subscription Shares to the holders of shares in Genus Capital Fund pursuant to a scheme of reorganisation of Genus Capital Fund, in exchange for substantially all the non-cash assets of Genus Capital Fund. With effect from 30 September 2010, 7,543 Ordinary Shares were issued as a result of the exercise of Subscription Shares. With effect from 31 March 2011, 2,429 Ordinary Shares were issued as a result of the exercise of Subscription Shares. With effect from 2 April 2012, 107,549 Ordinary Shares were issued as a result of the exercise of Subscription Shares. With effect from 1 October 2012, 1,923 Ordinary Shares were issued as a result of the exercise of Subscription Shares. On 2 April 2013, all unexercised Subscription Shares were cancelled, having expired.

Issue of Shares

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

In addition 10,000 Management Ordinary Shares were issued.

Following the exercise of Subscription Shares at the end of September 2010, March 2011, March 2012, June 2012 and September 2012 a total of 119,444 Ordinary Shares were issued and as a result, the Company has a total of 66,142,533 Ordinary and 10,000 Management Shares in issue.

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

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. There is sufficient cash at 31 December 2013 to settle the current payables. The Company holds listed securities that can be realised to meet liabilities as they become due; as at 31 December 2013, approximately 15% of the Company's assets were represented by cash and unrestricted listed and quoted investments. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Corporate Governance Compliance

The Company is committed to maintaining high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment company and which enables the Company to comply with the relevant provisions of the UK Corporate Governance Code released in September 2012 which became effective 1 January 2013.

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

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2013

Corporate Governance Compliance (continued)

Independence

The Board consists solely of independent non-executive Directors of whom Howard Myles is Chairman.

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

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

Performance appraisal

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

Audit committee

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

Christopher Sherwell is Chairman of the Audit Committee.

Nomination, Remuneration and Management Engagement Committees

Given the size and nature of the Company and the fact that all the Directors are independent and non-executive it is not deemed necessary to form separate Nomination, Remuneration, and Management Engagement Committees. The Board, as a whole, will consider new Board appointments, remuneration and the engagement of service providers. The Directors recognise the benefits of diversity in terms of gender and ethnicity and will take these into account when considering future appointments to the Board. However their principal criteria will remain skills and experience with the objective of maximising shareholder value.

Board meetings

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

Internal Controls

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

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

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2013

Corporate Governance Compliance (continued)

Internal Controls (continued)

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

The Board reviews the effectiveness of the Company's internal control systems on an ongoing basis. Procedures are in place to ensure that necessary action is taken to address any significant weaknesses identified in the control framework. The Board is not aware of any significant failings or weaknesses in the Company's internal controls in the year 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 38 to 42.

Investment Manager Assessment

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

Relations with Shareholders

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

General Meetings

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

Principal risks & uncertainties

Performance risk

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

Market risk

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

Financial risk

The Company's investment activities expose it to a variety of financial risks that include foreign currency risk and interest rate risk. Further details are disclosed in note 5 on pages 38 to 42.

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, the valuation advice related to those assets, dealing procedures, accounting records and compliance with regulatory and legal requirements depend on the effective operation of these third party control systems.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2013

Corporate Governance Compliance (continued)

Business/Other risks

The Company invests in companies whose projects are located in emerging markets. In such countries governments can exercise substantial influence over the private sector and political risk can be a significant factor. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities markets and imposition of foreign exchange controls and investment restrictions. The Investment Manager and the Board take into account specific political risks when entering into an investment and seek to mitigate them by diversifying geographically.

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 year. 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 Annual Report includes a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure and Transparency Rules of the UK Listing Authority;
- the Directors confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and strategy; and
- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the reasonable steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Retail Distribution of Unregulated Collective Investment Schemes

The Board of BSRT notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014. The Company conducts its affairs so that the shares issued by the Company can be promoted by authorised persons to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. Following the receipt of legal advice, the Board confirms that it conducts the Company's affairs, and intends to continue to conduct the Company's affairs, such that the Company would qualify for approval as an investment trust if it were resident and listed in the United Kingdom.

Signed on behalf of the Board of Directors by:

Howard Myles

Christopher Sherwell

15 April 2014

REPORT OF THE AUDIT COMMITTEE
For the year ended 31 December 2013

The Audit Committee's main function is to ensure that the Company maintains high standards of integrity in its financial reporting and internal controls. The Audit Committee is appointed by the Board and it meets at least twice a year when the Company's interim and final financial statements to shareholders are to be considered by the Board. The Audit Committee is chaired by Christopher Sherwell and it operates within clearly defined terms of reference which are available on the Company's website. Its other members are Howard Myles and Clive Newall. Only independent directors can serve on the Audit Committee and members of the Audit Committee must have no links with the Company's external auditor and must be independent of the Investment Manager.

The Board is satisfied that the Audit Committee is properly constituted with members having recent and relevant financial experience, and in particular, one member having a background as a chartered accountant.

Responsibilities

The main duties of the Audit Committee are:

- (a) monitoring the integrity of the Company's financial statements and any other financial information published by the Company;
- (b) reviewing the Company's investments, and in particular, the valuation of its unquoted investments. The Audit Committee carefully assesses the recommendations of the Investment Manager in this respect;
- (c) meeting the external auditor to review its proposed audit programme, reviewing its annual report and discussing any matters arising from its audit, assessing the effectiveness of the overall audit process and reviewing the levels of fees paid to the auditor in respect of its audit and non-audit work;
- (d) monitoring the Company's accounting and internal control systems and making recommendations on any improvement to such systems; and
- (e) monitoring the Company's procedures for ensuring compliance with statutory, regulatory and other financial reporting requirements and its relationship with the relevant regulatory authorities.

The Audit Committee has the opportunity to meet the external auditor at least twice a year without the Manager or Investment Manager present. The Chairman of the Audit Committee has access to the audit partner at any meeting if he so requires. After each audit, the Audit Committee reviews the audit process and considers its effectiveness.

The Audit Committee also provides a forum through which the Company's auditor reports to the Board. The objectivity and independence of the auditor are reviewed by the Audit Committee. The Board approves all non-audit work carried out by the auditor in advance and the fees paid to the auditor in this respect.

External Audit

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

The Company's auditor is advised of the timing of Audit Committee meetings to consider the Company's annual and semi-annual accounts.

During 2013 the Audit Committee reviewed the services provided by the auditor, and the related fees, and concluded that it was not necessary to conduct a competitive tender at that stage. However, the Audit Committee does keep this matter under consideration.

The fees for audit services during the year were: £43,875 (2012: £37,500) plus an additional one-off fee in 2013 of £6,000 for ISA700 preparatory work.

The cost of non-audit services carried out by the auditor for the financial year ended 31 December 2013 was £7,000 (2012: £6,600). This comprised 'Agreed Upon Procedures' in relation to the interim financial statements principally comprising the checking of disclosures in the interim report not subject to statutory audit. These non-audit services were assurance related and the Audit Committee believes that EY are best placed to provide them on a cost effective basis.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

For the year ended 31 December 2013

External Audit (continued)

The Audit Committee confirms that it has reviewed the non-audit services provided by EY and is satisfied that they do not compromise EY's independence or objectivity. The Audit Committee is also satisfied that fees for non-audit services are proportionate in relation to the fees for audit services. In conclusion, the Audit Committee is satisfied that EY remains independent.

Internal Audit

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

Risk Management and Internal Controls

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

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

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

The Audit Committee considers that valuation of the Company's unquoted investments at fair value through profit or loss is a key risk, in the context of the judgements necessary to determine the fair values of these holdings as there is no observable market price.

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

Financial Reporting

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

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

For the year ended 31 December 2013

Primary Areas of Judgement

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

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

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

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

Going Concern

The Audit Committee has made an assessment of the Company's ability to continue as a going concern. Particular regard has been given to the factors described below:

- There was sufficient cash at 31 December 2013 to settle all current liabilities.
- The Company holds listed securities that can if necessary be realised to meet liabilities as they become due; as at 31 December 2013, approximately 15% of the Company's assets were represented by cash and unrestricted listed and quoted investments.

On the basis of its review, the Audit Committee is satisfied that the Company has the resources to continue in business for the foreseeable future and it is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Audit Committee is of the opinion that the financial statements should be prepared on a going concern basis and has accordingly recommended its opinion to the Board.

Christopher Sherwell
Audit Committee Chairman

BOARD OF DIRECTORS

Howard Myles (aged 64): Howard Myles currently acts as a non-executive director of a number of investment companies. Howard was a partner in Ernst & Young from 2001 until 2007 and was responsible for the Investment Funds Corporate Advisory team. He was previously with UBS Warburg from 1987 to 2001. Howard began his career in stockbroking in 1971 as an equity salesman and joined Touche Ross in 1975 where he qualified as a chartered accountant. In 1978 he joined W. Greenwell & Co. in the corporate broking team and in 1987 moved to SG Warburg Securities where he was involved in a wide range of commercial and industrial transactions in addition to leading UBS Warburg's corporate finance function for investment funds. He is a fellow of the Institute of Chartered Accountants and of The Chartered Institute for Securities and Investments.

R. Edward Flood (aged 68): In March 2007, Edward Flood was appointed Managing Director of Investment Banking at 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. 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 a 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 66): 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 64): 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 66): Christopher Sherwell has worked since 2004 as a senior Non-Executive Director based in Guernsey with roles in the offshore finance industry and is a director of a number of listed investment companies. Prior to January 2004, Christopher was a Managing Director of Schroders' offshore investment and private banking operations in the Channel Islands. Christopher was previously Investment Director from 1993-2000 and also served on the boards of various Schroder group companies and funds during his period there. Prior to Schroders he worked at Smith New Court as a research analyst specialising in asset allocation for Asian markets. Christopher is a Rhodes Scholar with degrees in science and in economics and politics. He has worked as a university lecturer and was for sixteen years a journalist, most of them working for the Financial Times.

BAKER STEEL RESOURCES TRUST LIMITED

PORTFOLIO STATEMENT AT 31 DECEMBER 2013

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Listed equity shares</u>			
Australian Dollars			
20,560,122	South American Ferro Metals Limited	610,481	1.49
Australian Dollars Total		610,481	1.49
Canadian Dollars			
3,383,333	BacTech Environmental Corporation	76,881	0.19
1,100,000	Forbes & Manhattan Coal Corporation	96,859	0.23
7,438,498	Ivanhoe Mines Limited (restricted)*	7,427,974	18.12
302,999	Ivanhoe Mines Limited	321,883	0.79
1,931,667	REBgold Corporation	93,275	0.23
Canadian Dollars Total		8,016,872	19.56
Great Britain Pounds			
48,202,024	Metals Exploration Plc	2,410,101	5.88
Great Britain Pounds Total		2,410,101	5.88
United States Dollars			
6,576,192	China Polymetallic Mining Company Limited*	2,924,086	7.13
United States Dollars Total		2,924,086	7.13
Total investment in listed equity shares		13,961,540	34.06
<u>Convertible debt instruments</u>			
Canadian Dollars			
250,500	Ironstone Resources Limited Convertible Note	142,306	0.35
150,000	REBgold Corporation Unsecured Convertible Debenture	85,213	0.21
Canadian Dollars Total		227,519	0.56
United States Dollars			
5,100,000	Argentum Convertible Note	3,078,037	7.51
7,000,000	Black Pearl Limited Partnership	5,449,451	13.29
830,000	Polar Silver Convertible Notes	500,936	1.22
United States Dollars Total		9,028,424	22.02
Total investments in Convertible debt instruments		9,255,943	22.58

BAKER STEEL RESOURCES TRUST LIMITED

PORTFOLIO STATEMENT (CONTINUED) AT 31 DECEMBER 2013

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Unlisted equity shares and warrants</u>			
Canadian Dollars			
6,282,341	Ironstone Resources Limited	4,996,492	12.19
3,036,605	Ironstone Resources Limited Warrants 31/03/2014	16,753	0.04
143,143	Ironstone Resources Limited Warrants 22/02/2018	24,623	0.06
10,250,000	REBgold Corporation Warrants 17/06/2015	-	-
2,400,000	REBgold Corporation Warrants 10/11/2016	1	-
Canadian Dollars Total		5,037,869	12.29
Great Britain Pounds			
1,594,646	Celadon Mining Limited	143,518	0.35
Great Britain Pounds Total		143,518	0.35
United States Dollars			
3,034,734	Archipelago Metals Limited	412,104	1.01
451,445	Bilboes Gold Limited	4,135,998	10.09
5,713,642	Ferrous Resources Limited	2,586,295	6.31
4,244,550	Gobi Coal and Energy Limited	5,123,484	12.50
1,186	Polar Silver Resources Limited	716	-
United States Dollars Total		12,258,597	29.91
Total unlisted equity shares and warrants		17,439,984	42.55
Financial assets held at fair value through profit or loss		40,657,467	99.19
Other assets & liabilities		333,238	0.81
Total equity		40,990,705	100.00

*Classified as Level 2 (Refer Note 3)

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2013

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

We have audited the financial statements of Baker Steel Resources Trust Limited for the year ended 31 December 2013 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 16 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2013, and of its comprehensive loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Our Assessment of material risks of misstatement

We identified the following risk that had the greatest effect on the overall audit strategy and scope and allocation of resources:

- valuation of the Company's investments other than those classified as level 1 in the fair value hierarchy.

Our Application of materiality

When establishing our overall audit strategy, we determined materiality for the Company to be £820k which is approximately 2% of total equity. This provided a basis for determining nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessment, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50 per cent of materiality, namely £410k. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

We have reported to the Audit Committee all audit differences in excess of £41k, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2013

An overview of the scope of our audit

We have audited the financial statement balances using our materiality. In assessing the risk of material misstatement to the consolidated financial statements, our audit scope focused on the fair value of investments at fair value through profit and loss, other than those classified as level 1 in the fair value hierarchy. Our response included the following procedures:

- we considered the appropriateness of the valuation techniques applied to unlisted investments. We used an internal valuation specialist to assist us in our considerations and we assessed their competence and objectivity;
- we obtained independent evidence to corroborate the inputs into the valuation models that formed part of the valuation techniques; and
- we tested the arithmetical accuracy of the valuation models.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Director's Report is:

- ▶ materially inconsistent with the information in the audited financial statements; or
- ▶ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company; or
- ▶ is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 UK Corporate Governance Code specified for our review.

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

15 April 2014

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Assets			
Cash and cash equivalents	10	477,495	601,174
Other receivables		26,746	57,671
Financial assets held at fair value through profit or loss (Cost: £60,117,893 (2012: £64,336,833))	3	40,657,467	75,359,488
Total assets		41,161,708	76,018,333
Equity and Liabilities			
Liabilities			
Performance fees payable	8	-	3,651,275
Management fees payable	8	42,297	79,317
Directors' fees payable		36,000	36,000
Audit fees payable		38,625	29,736
Administration fees payable	7	13,671	7,889
Other payables		40,410	14,461
Total liabilities		171,003	3,818,678
Equity			
Management Ordinary Shares	11	10,000	10,000
Ordinary Shares		64,767,056	64,767,056
Profit and loss account		(23,786,351)	7,422,599
Total equity		40,990,705	72,199,655
Total equity and liabilities		41,161,708	76,018,333
Ordinary Shares in issue	11	66,152,533	66,152,533
Net asset value per Ordinary Share (in Pence) – Basic	4	62.0	109.1

These financial statements were approved by the Board of Directors on 15 April 2014 and signed on its behalf by:

Howard Myles

Christopher Sherwell

BAKER STEEL RESOURCES TRUST LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year ended 2013 Revenue £	Year ended 2013 Capital £	Year ended 2013 Total £
Income				
Interest income		13,194	-	13,194
Net loss on financial assets and liabilities at fair value through profit or loss	3	-	(29,934,397)	(29,934,397)
Net foreign exchange loss		-	(24,368)	(24,368)
Other income		8,028	-	8,028
Net income/(loss)		21,222	(29,958,765)	(29,937,543)
Expenses				
Management fees	8	740,205	-	740,205
Directors' fees		140,000	-	140,000
Director's expenses		6,731	-	6,731
Audit fees		42,052	-	42,052
Administration fees	7	94,618	-	94,618
Custody fees		37,609	-	37,609
Other expenses	9	210,192	-	210,192
Total expenses		1,271,407	-	1,271,407
Total comprehensive loss for the year		(1,250,185)	(29,958,765)	(31,208,950)
Net loss for the year per Ordinary Share:				
Basic (in pence)	4	(1.9)	(45.3)	(47.2)
Weighted Average Number of Ordinary Shares Outstanding:				
Basic	4			66,152,533

In the year ended 31 December 2013 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

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

BAKER STEEL RESOURCES TRUST LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

		Year ended 2012 Revenue £	Year ended 2012 Capital £	Year ended 2012 Total £
	Notes			
Income				
Interest income		43,152	-	43,152
Net loss on financial assets and liabilities at fair value through profit or loss	3	-	(12,982,283)	(12,982,283)
Net foreign exchange loss		-	(24,836)	(24,836)
Net income/(loss)		43,152	(13,007,119)	(12,963,967)
Expenses				
Management fees	8	1,109,630	-	1,109,630
Directors' fees		140,000	-	140,000
Director's expenses		4,194	-	4,194
Audit fees		40,000	-	40,000
Administration fees	7	99,211	-	99,211
Custody fees		62,821	-	62,821
Other expenses	9	213,644	-	213,644
Total expenses		1,669,500	-	1,669,500
Total comprehensive loss for the year		(1,626,348)	(13,007,119)	(14,633,467)
Net loss for the year per Ordinary Share:				
Basic and diluted (in pence)	4	(2.4)	(19.7)	(22.1)
Weighted Average Number of Ordinary Shares Outstanding:				
Basic and diluted	4			66,124,204

In the year ended 31 December 2012 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

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

BAKER STEEL RESOURCES TRUST LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Management Ordinary Shares £	Ordinary Shares £	Profit and loss account £	Year ended 2013 £
Balance as at 1 January 2013	10,000	64,767,056	7,422,599	72,199,655
Net loss for the year	-	-	(31,208,950)	(31,208,950)
Balance as at 31 December 2013	10,000	64,767,056	(23,786,351)	40,990,705

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Management Ordinary Shares £	Ordinary Shares £	Profit and loss account £	Year ended 2012 £
Balance as at 1 January 2012	10,000	64,657,584	22,056,066	86,723,650
Proceeds on issue of Ordinary Shares	-	109,472	-	109,472
Net loss for the year	-	-	(14,633,467)	(14,633,467)
Balance as at 31 December 2012	10,000	64,767,056	7,422,599	72,199,655

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year ended 2013 £	Year ended 2012 £
Cash flows from operating activities			
Net loss for the year		(31,208,950)	(14,633,467)
<i>Adjustments to reconcile income for the year to net cash used in operating activities:</i>			
Net change in fair value of financial assets at fair value through profit or loss	3	29,934,397	12,982,283
Net decrease in other receivables		30,925	1,357,082
Net decrease in other payables		(3,647,675)	(41,953)
Net cash used in operating activities		(4,891,303)	(336,055)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(1,655,154)	(801,287)
Sale of financial assets at fair value through profit or loss		6,422,778	-
Net cash provided by/(used in) investing activities		4,767,624	(801,287)
Cash flows from financing activities			
Proceeds from shares issued	11	-	109,472
Net cash provided by financing activities		-	109,472
Net decrease in cash and cash equivalents		(123,679)	(1,027,870)
Cash and cash equivalents at the beginning of the year		601,174	1,629,044
Cash and cash equivalents at the end of the year	10	477,495	601,174
Represented by:			
Cash and cash equivalents		477,495	601,174
Cash and cash equivalents at the end of the year	10	477,495	601,174

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. GENERAL INFORMATION

Baker Steel Resources Trust Limited (the “Company”) is a closed-ended investment company with limited liability incorporated on 9 March 2010 in Guernsey under the Companies (Guernsey) Law, 2008 with registration number 51576. The Company is a registered closed-ended investment scheme registered pursuant to the POI Law and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (“GFSC”). On 28 April 2010 the Ordinary Shares and Subscription Shares of the Company were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. The Company’s Ordinary and Subscription Shares were admitted to the Premium Listing Segment of the Official List on 28 April 2010. Effective 1 June 2012 the Subscription Shares were assigned to the Standard Segment of the Official List.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

The Statement of Comprehensive Income is presented in accordance with the Statement of Recommended Practice (“SORP”) ‘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 as adopted by the European Union (“IFRS”).

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

Statement of Compliance

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

b) Significant accounting judgements and estimates

The preparation of the Company’s financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant judgement relates to the valuation of the Company’s unlisted investments which are valued by the Board at fair value in accordance with IFRS having regard to such factors as they deem relevant. This may include information received from market and other sources as to trading on unofficial or “grey” markets requiring a judgement on whether a particular transaction represents fair value and the appropriate timing for recognising fair value changes when information about a transaction is incomplete or unclear. 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial assets 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 are 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.

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

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

Basis of designation of fair value

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

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

Determination of fair value

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

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

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

d) Interest income and expense

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

e) Cash and cash equivalents

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

f) Expenses

All expenses are recognised on an accruals basis.

g) Translation of foreign currencies

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

h) Segment information

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

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 year:

IFRS 13 is effective for periods beginning on or after 1 January 2013, and has been adopted by the Company. The standard improves consistency and reduces complexity by introducing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard the Company reviewed its valuation methods for listed financial assets and liabilities and continues to use last quoted prices where the Directors consider this represents fair value, being the price for which shares can be sold. This is consistent with the methods prescribed in the Company's offering document for the calculation of its Net Asset Value. The use of last traded prices is recognised as a standard pricing convention within the industry and the Directors consider that it is, generally, most representative of fair value. Last traded prices may be adjusted, if appropriate, for various factors including liquidity, bid-ask spread and credit considerations, where the Directors consider this to be a better representation of fair value. Such adjustments are generally based on available market evidence. With respect to unlisted and unquoted investments, the Directors consider that the adoption of IFRS 13 does not affect the measurement of fair value which is further described in Note 3.

In December 2011, the IASB amended IFRS 7 'Financial Instruments: Disclosures' to include offsetting requirements for financial assets and liabilities. Simultaneously the IASB made amendments to IAS 32 'Financial Instruments: Presentation' to clarify the criteria for offsetting for entities and also to address inconsistencies in their application. The amendments affect all entities that have financial assets and liabilities that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement. This includes payables and receivables, which may consist of broker balances, cash balances, loans and customer deposits in the same institution. Entities will be required to disclose both gross information and net information about such derivative instruments to enable users of its financial statements to understand the effect of those arrangements on its financial position.

The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014, and interim periods within those annual periods. These amendments are not expected to have a significant impact on the Company's financial position or performance.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013, and interim periods within those annual periods.

The Company has early adopted IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosure of interests in other entities', IAS 27 (revised 2011) 'Separate financial statements', IAS 28 (revised 2011) 'Investments in associates and joint ventures' and the transition guidance amendments to IFRS 10, 11 and 12, together with the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 (the "Investment Entities Amendment") with effect from 1 August 2012.

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Investment Entities Amendment to IFRS 10 defines an investment entity and introduces an exception from the consolidation requirements for investment entities. On adoption of IFRS 10 and the Investment Entities Amendment to IFRS 10, the Company has determined that it meets the definition of an investment entity. These amendments have not had any impact on the Company's financial position or performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) New accounting pronouncements not yet effective

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

IFRS 9, 'Financial Instruments' (effective date has been tentatively set at 1 January 2018 by IASB): the IASB has issued IFRS 9 as a first step in its project to replace IAS 39, 'Financial Instruments recognition and measurements'. IFRS 9 introduces a new requirement for classifying and measuring financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements of IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a constant approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The Company does not expect the measurement and classification requirements to have a significant impact on its financial statements.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

31 December 2013	Listed equity shares £	Unlisted equity shares £	Convertible debt instruments £	Warrants £	Total £
<i>Financial assets at fair value through profit or loss</i>					
Cost	23,391,498	28,192,871	8,533,524	-	60,117,893
Unrealised (loss)/gain	(9,429,958)	(10,794,264)	722,419	41,377	(19,460,426)
Market value at 31 December 2013	13,961,540	17,398,607	9,255,943	41,377	40,657,467

31 December 2012	Listed equity shares £	Unlisted equity shares £	Convertible debt instruments £	Warrants £	Total £
<i>Financial assets at fair value through profit or loss</i>					
Cost	24,353,651	31,100,605	8,882,577	-	64,336,833
Unrealised gain/(loss)	13,860,840	(3,127,836)	269,947	19,704	11,022,655
Market value at 31 December 2012	38,214,491	27,972,769	9,152,524	19,704	75,359,488

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

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

The following table analyses net (losses)/gains on financial assets at fair value through profit or loss for the year ended 31 December 2013 and 31 December 2012.

	Year ended 2013 £	Year ended 2012 £
Financial assets at fair value through profit or loss		
<i>Realised gains on:</i>		
- Listed equity shares	296,988	-
- Unlisted equity shares	240,541	-
- Convertible debt instruments	11,155	-
	<u>548,684</u>	<u>-</u>
<i>Movement in unrealised (losses)/gains on:</i>		
- Listed equity shares	(23,290,798)	(1,168,637)
- Unlisted equity shares	(7,666,428)	(17,031,439)
- Investments transferred from unlisted to listed	-	5,185,767
- Convertible debt instruments	452,472	213,434
- Warrants	21,673	(181,408)
	<u>(30,483,081)</u>	<u>(12,982,283)</u>
Net loss on financial assets and liabilities at fair value through profit or loss	<u>(29,934,397)</u>	<u>(12,982,283)</u>

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2013.

	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	3,609,480	10,352,060	-	13,961,540
Unlisted equity shares	-	-	17,398,607	17,398,607
Warrants	-	-	41,377	41,377
Convertible debt instruments	-	-	9,255,943	9,255,943
	<u>3,609,480</u>	<u>10,352,060</u>	<u>26,695,927</u>	<u>40,657,467</u>

The following table analyses investments by type and by level within the fair valuation hierarchy at 31 December 2012.

	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	4,560,241	33,654,250	-	38,214,491
Unlisted equity shares	-	-	28,107,083	28,107,083
Warrants	-	-	19,704	19,704
Convertible debt instruments	-	-	9,018,210	9,018,210
	<u>4,560,241</u>	<u>33,654,250</u>	<u>37,144,997</u>	<u>75,359,488</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2013.

	Total £	Equities £	Convertible debt instruments £	Warrants £
Opening balance 1 January 2013	37,144,997	28,107,083	9,018,210	19,704
Purchases of investments	256,669	-	256,669	-
Sales of investments	(3,765,149)	(3,282,586)	(482,563)	-
Change in net unrealised (losses)/gains	(7,192,286)	(7,666,431)	452,472	21,673
Realised gains	251,696	240,541	11,155	-
Closing balance 31 December 2013	<u>26,695,927</u>	<u>17,398,607</u>	<u>9,255,943</u>	<u>41,377</u>

The table below shows a reconciliation of beginning to ending fair value balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2012.

	Total £	Equities £	Convertible debt instruments £	Warrants £
Opening balance 1 January 2012	79,407,912	71,249,134	7,957,666	201,112
Purchases of investments	1,069,914	222,803	847,111	-
Transfer out of Level 3	(15,347,517)	(15,347,517)	-	-
Change in net unrealised losses	(27,985,313)	(28,017,337)	213,432	(181,408)
Closing balance 31 December 2012	<u>37,144,997</u>	<u>28,107,083</u>	<u>9,018,210</u>	<u>19,704</u>

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

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

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain less liquid listed equities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company held such investments at 31 December 2013 amounting to £10,352,060 (31 December 2012: £33,654,250).

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

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

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Other receivables include the contractual amounts for settlement of trades and other obligations due to the Company. Amount due to brokers, investment management fees payable, directors' fees payable, audit fees payable, administration fees payable and other payables represent the contractual amounts and obligations due by the Company for settlement for trades and expenses.

Valuation methodology of Level 3 investments

Where an unquoted investment has been acquired during the past six months it will be carried at cost unless there are changes or events which suggest cost is not equivalent to fair value.

For each core unlisted investment, the Company maintains a weighted average basket of listed companies which are comparable to the investment in terms of commodity, stage of development and location ("IndexVal"). IndexVal is used as an indication of how an investment's share price might have moved had it been listed. Movements in commodity prices are deemed to have been taken into account by the movement of IndexVal.

The Investment Manager also prepares discounted cash flow models for the Company's core investments annually and also for significant new information and decision making purposes when required. From these, Development Risk Adjusted Values ("DRAVs") are derived. The computations are based on consensus forecasts for long term commodity prices and investee company management estimates of operating and capital costs. The Investment Manager takes account of market, country and development risks in its discount factors. The DRAVs are not a primary determinant of Fair Value but is instead a tool that the Investment Manager uses to evaluate potential investments as well as to provide underlying valuation references for the Fair Value already established.

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

i. Transactions

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

ii. IndexVal

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

iii. Warrants

Warrants are valued using a simplified Black & Scholes model taking into account time to expiry, exercise price and volatility. Where there is no established market for the underlying shares an assumed volatility of 40% is used.

iv. Convertible loans

Convertible loans are valued at par, taking into account credit risk. When there is a clear path towards conditions for conversion such as an IPO, the equity value of the investment on conversion is taken into account when determining Fair Value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

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

Quantitative information of significant unobservable inputs – Level 3

Description	2013 £	Valuation technique	Unobservable input	Range (weighted average)
Unlisted Equity	17,398,607	Transactions & IndexVal	Private transactions. Change in IndexVal	n/a
Convertible Debt Instruments				
Argentum Convertible & Polar Silver Loan Notes	3,578,973	Valued at par with reference to credit risk and value on conversion	Credit Risk	0
Black Pearl Limited Partnership	5,449,451	Valued at par plus interest accrued with reference to credit risk and value on conversion	Credit Risk	0
Other Convertible Debentures/Loans	227,519	Valued at par	Credit Risk	0
Warrants	41,377	Simplified Black & Scholes Model	Volatilities assumed	40%

Information on third party transactions in unlisted equities is derived from the Investment Manager's market contacts. The change in IndexVal for each particular unlisted equity is derived from the weighted average movements of the individual baskets for that equity so it is not possible to quantify the range of such inputs. A sensitivity of 50% has been used in the analysis below as this was the greatest amount that IndexVal moved for any single investment during any six month period.

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2013 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value
Unlisted Equity	Change in IndexVal	50%	8,699,304
Convertible Debt Instruments			
Argentum Convertible & Polar Silver Loan Notes	Credit Risk	+20%	-715,795
Black Pearl Limited Partnership	Credit Risk	+20%	-1,089,890
Other Convertible Debentures/Loans	Credit Risk	+20%	-44,504
Warrants	Volatility of 40% assumed	+/-20%	+65,939 / -31,341

*The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. NET ASSET VALUE PER SHARE AND EARNING PER SHARE

Basic net asset value per share is based on the net assets of £40,990,705 (31 December 2012: £72,199,655) and 66,152,333 (31 December 2012: 66,152,333) Ordinary Shares, being the number of shares in issue at the year end. The final exercise date for the Subscription Shares was 2 April 2013. No Subscription Shares were exercised at this time and all Subscription Shares were subsequently cancelled. The Subscription Shares were entitled to be converted to Ordinary Shares at 100p per share. The calculation for basic net asset value is as below:

	31 December 2013		31 December 2012	
	Ordinary Shares	Subscription Shares	Ordinary Shares	Subscription Shares
Net assets at the year end (£)	40,990,705	-	72,199,655	13,085,150
Number of shares	66,152,533	-	66,152,533	13,085,150
Basic net asset value per share (in pence)	62.0	-	109.1	-

The basic expense per share for 2013 is based on the net loss for the year of the Company of £31,208,950 and on 66,152,533 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. As the Subscription Shares were cancelled on 2 April 2013 no diluted calculation is required for 2013.

The basic and diluted expense per share for 2012 was based on the net loss for the year of the Company of £14,633,467 and on 66,152,533 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. In addition, the average market share price during the year ended 31 December 2012 of 95.8p was lower than the exercise price of 100p. For the year ended 31 December 2012, basic and diluted earnings per share were the same due to the fact that the conversion of Subscription Shares to Ordinary Shares would decrease the loss per share, hence subscription shares are anti-dilutive. This calculation was prepared in accordance with IFRS.

5. RISK MANAGEMENT POLICIES AND DISCLOSURES

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

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

Risk exposures and responses

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

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

a) Market risk

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

i. Market price risk

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

The following illustrates the sensitivity of the income to an increase or decrease of 10% in the fair value of the Company's investment portfolio. The level of change is considered to be reasonably possible based on observations of current market conditions in 2013. The sensitivity analysis assumes all other variables are held constant.

The impact of a 10% decrease in the value of investments on the net assets and income of the Company as at 31 December 2013 would have been a decrease of £4,065,747 (31 December 2012: £7,535,949). An increase of 10% would increase the net asset value by £4,065,747 (31 December 2012: £7,535,949). In practice, the actual results may differ from the sensitivity analysis above and the difference could be material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

Risk exposures and responses (continued)

ii. Currency risk

The majority of the Company's financial assets and liabilities are denominated in US Dollars. The functional currency of the Company is sterling. Currency risk is the risk that the value of non-£ denominated financial instruments will fluctuate due to changes in foreign exchange rates. The table below shows the currencies and amounts the Company was exposed to at 31 December 2013 and 31 December 2012.

31 December 2013

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
AUD	1,130,806	0.5399	610,481	1.49
CAD	23,388,725	0.5681	13,286,855	32.42
EUR	(5,123)	1.2032	(6,164)	(0.02)
GBP	2,888,426	1.0000	2,888,426	7.05
USD	40,115,383	0.6035	24,211,107	59.06
			40,990,705	100.00

31 December 2012

Currency	Amount in local currency	Conversion rate (based on £)	Value £	% of net assets
AUD	2,035,452	0.6389	1,300,400	1.80
CAD	54,095,924	0.6175	33,402,613	46.26
EUR	(9,958)	0.8113	(8,080)	(0.01)
GBP	(544,517)	1.0000	(544,517)	(0.75)
USD	61,837,624	0.6153	38,049,240	52.70
			72,199,656	100.00

At 31 December 2013 and 31 December 2012, had any foreign currencies strengthened by 10% relative to sterling, with all other variables held constant, total equity would have increased by the amounts shown below.

Currency	2013 Value £	2012 Value £
AUD	61,048	130,040
CAD	1,328,686	3,340,261
EUR	(616)	(808)
USD	2,421,111	3,804,924
	3,810,229	7,274,417

A 10% decrease in foreign currencies relative to sterling, with all other variables held constant, would lead to a corresponding decrease in the total equity by equal but opposite amounts as shown in the above tables. The estimated movement is based on management's determination of a reasonably possible change in foreign exchange rates. In practice, the actual results may differ from the sensitivity analysis above and the difference could be material.

iii. Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

Risk exposures and responses (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.

At 31 December 2013

	Up to 1 month	More than 6 months	Non-interest bearing	Total
	£	£	£	£
Assets				
Cash and cash equivalents	477,495	-	-	477,495
Financial assets held at fair value through profit or loss	-	8,755,007	31,902,460	40,657,467
Receivables	-	-	26,746	26,746
Total Assets	477,495	8,755,007	31,929,206	41,161,708
Liabilities				
Other liabilities	-	-	171,003	171,003
Total Liabilities	-	-	171,003	171,003
Interest rate sensitivity gap	477,495	8,755,007		

At 31 December 2012

	Up to 1 month	More than 6 months	Non-interest bearing	Total
	£	£	£	£
Assets				
Cash and cash equivalents	601,174	-	-	601,174
Financial assets held at fair value through profit or loss	-	9,018,210	66,341,278	75,359,488
Receivables	-	-	57,671	57,671
Total Assets	601,174	9,018,210	66,398,949	76,018,333
Liabilities				
Performance fees accrued	-	-	3,651,275	3,651,275
Other liabilities	-	-	167,403	167,403
Total Liabilities	-	-	3,818,678	3,818,678
Interest rate sensitivity gap	601,174	9,018,210		

Interest rate sensitivity

At 31 December 2013, should interest rates have fallen by 25 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of Ordinary Shares for the year would amount to approximately £1,194 (2012: £9,348) for assets up to 1 month respectively and £9,516 (2012: £2,430) for assets more than 6 months respectively. If interest rates had risen by 25 basis points it would have an equal but opposite effect as the decrease.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)

Risk exposures and responses (continued)

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 of the Company's investments.

c) **Liquidity risk**

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

The Company has the ability to incur borrowings of up to 10% of its 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 2013	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
Assets						
Cash and cash equivalents	477,495	-	-	-	-	477,495
Financial assets held at fair value through profit or loss	-	16,753	5,591,757	3,688,810	31,360,147	40,657,467
Receivables	26,746	-	-	-	-	26,746
Total Assets	504,241	16,753	5,591,757	3,688,810	31,360,147	41,161,708
	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
Liabilities						
Other payables and accrued expenses	91,968	40,410	38,625	-	-	171,003
Total Liabilities	91,968	40,410	38,625	-	-	171,003
Net assets attributable to shareholders						40,990,705

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**
5. RISK MANAGEMENT POLICIES AND DISCLOSURES (CONTINUED)
Risk exposures and responses (continued)
c) Liquidity risk (continued)

At 31 December 2012	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
Assets						
Cash and cash equivalents	601,174	-	-	-	-	601,174
Financial assets held at fair value through profit or loss	-	-	-	3,668,485	71,691,003	75,359,488
Receivables	57,671	-	-	-	-	57,671
Total Assets	658,845	-	-	3,668,485	71,691,003	76,018,333

	Less than 1 month	1-3 months	3-12 months	More than 12 months	No contractual maturity	Total
	£	£	£	£	£	£
Liabilities						
Other payables and accrued expenses	2,623,206	14,461	29,736	-	1,151,275	3,818,678
Total Liabilities	2,623,206	14,461	29,736	-	1,151,275	3,818,678

Net assets attributable to shareholders 72,199,655

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, Convertible debt instruments and trade receivables as stated in the Statement of Financial Position.

As at 31 December 2013, the Company's financial assets were held with the following weight:

Financial Assets	Counterparty	Credit Rating	2013 % of net assets
Convertible debt instruments			
- Convertible Loan Note	Black Pearl Limited Partnership	NR	13.29
- Convertible Loan Note	ZAO Argentum	NR	7.51
- Convertible Loan Note	Ironstone Resources Limited	NR	0.35
- Convertible Loan Note	Polar Silver Resources Limited	NR	1.22
- Unsecured Convertible Debenture	REBgold Corporation	NR	0.21
Cash and cash equivalents	HSBC Bank plc	AA-	1.16
Total			<u><u>23.74</u></u>

As at 31 December 2012, the Company's financial assets were held with the following weight:

Financial Assets	Counterparty	Credit Rating	2012 % of net assets
Convertible debt instruments			
- Convertible Loan Note	Black Pearl Limited Partnership	NR	6.80
- Convertible Loan Note	ZAO Argentum	NR	4.34
- Convertible Loan Note	Bilboes Gold Limited	NR	0.64
- Convertible Loan Note	Polar Silver Resources Limited	NR	0.71
Cash and cash equivalents	HSBC Bank plc	AA-	0.83
Total			<u><u>13.32</u></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 YEAR ENDED 31 DECEMBER 2013**

7. ADMINISTRATION FEES

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

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

The administration fees paid for the year ended 31 December 2013 were £94,618 (2012: £99,211) of which £13,671 (2012: £7,889) was payable at 31 December 2013. HSBC Securities Services (Ireland) Limited, the sub-Administrator, is paid a portion of these fees by the Administrator.

8. MANAGEMENT AND PERFORMANCE FEES

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

The Manager may in certain circumstances also be entitled to be paid a performance fee if the Net Asset Value at the end of any Performance Period exceeds the Hurdle as at the end of the Performance Period. The Performance Period is each 12 month period ending on 31 December in each year (the "Performance Period"). For this purpose the "Hurdle" means an amount equal to the Issue Price of £1 per Ordinary Share multiplied by the number of Shares in issue as at Admission, as increased at a rate of 8 per cent per annum compounded to the end of the relevant Performance Period. In respect of any Performance Period which is less than a full 12 months, the Hurdle is 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 is 15 per cent of the total increase in the Net Asset Value, if the Hurdle has been met, at the end of the relevant Performance Period, over the highest previously recorded Net Asset Value as at the end of a Performance Period in respect of which a performance fee was last accrued, (or the Issue Price multiplied by the number of shares in issue as at Admission, if no performance fee has been so accrued) having made adjustments for numbers of Ordinary Shares issued and/or repurchased as described above. In addition, the performance fee will only become payable if there have been sufficient net realised gains.

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 performance fees accrued for the year ended 31 December 2013 were £Nil (31 December 2012: £Nil).

No further performance fee will be accrued or paid until the Net Asset Value exceeds £87,704,481 (132.6p per share) as adjusted for further issues and repurchases of shares.

The management fee for the year ending 31 December 2013 was £740,205 (2012: £1,109,630) out of which £42,297 (2012: £79,317) was outstanding at the year end.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013****9. OTHER EXPENSES**

	2013	2012
	TOTAL	TOTAL
	£	£
Legal and professional fees	42,493	25,620
Brokerage fee	34,745	41,697
Marketing costs	30,855	32,557
Registrar fees	30,790	14,401
Board meeting expenses	17,990	12,767
Compliance fees	11,667	12,068
Listing fees	10,569	10,671
Consulting fees	10,000	34,836
Other regulatory fees	5,465	5,073
Guernsey regulatory fees	3,165	3,100
Website expenses	1,095	1,241
Insurance fees	-	3,565
Miscellaneous expenses	11,358	16,048
	210,192	213,644

10. CASH AND CASH EQUIVALENTS

	2013	2012
	£	£
Deposits at HSBC Bank plc	477,495	601,174

11. SHARE CAPITAL

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

The Company has a total of 66,142,533 Ordinary Shares in issue. In addition, the Company has 10,000 Management Ordinary Shares in issue, which are held by the Investment Manager.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. SHARE CAPITAL (CONTINUED)

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 carried no right to any dividend or other distribution by the Company.

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

	2013	2012
Issued and fully paid share capital		
Ordinary Shares of no par value*	66,152,533	66,152,533
Subscription Shares of no par value	-	13,085,150

The issue of Ordinary Shares during the year ended 31 December 2013 took place as follows:

	Ordinary Shares	Subscription Shares
Balance at 1 January 2013	66,152,533	13,085,150
Cancellation of Subscription Shares	-	(13,085,150)
Balance at 31 December 2013	66,152,533	-

The issue of Ordinary Shares during the year ended 31 December 2012 took place as follows:

	Ordinary Shares	Subscription Shares
Balance at 1 January 2012	66,043,061	13,194,622
Conversion of Subscription Shares	109,472	(109,472)
Balance at 31 December 2012	66,152,533	13,085,150

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

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

As described in the Directors' Report on page 11, the Company does not currently intend to pay dividends or other distributions. The Directors monitor the extent to which capital has been deployed and the manner in which capital has been invested using, inter alia, sectoral and geographic analyses. The Directors also consider whether the Company should undertake further share issues or arrange buy-backs or other capital management programmes consistent with the above objectives although no such action has been taken so far.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013****12. RELATED PARTY TRANSACTIONS**

The Directors' interests in the share capital of the Company at 31 December 2013 were:

	Number of Ordinary Shares
Edward Flood	65,000
Christopher Sherwell	25,000
Clive Newall	25,000

The Directors' interests in the share capital of the Company at 31 December 2012 were:

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

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

The Manager, Baker Steel Capital Managers (Cayman) Limited, had an interest in 504,832 Ordinary Shares at 31 December 2013.

The Investment Manager, Baker Steel Capital Managers LLP, had an indirect interest in the Company through Ironman Investment Company Limited, which during the period acquired 150,000 Ordinary Shares. Ironman Investment Company Limited is a company set up by the Investment Manager for co-investment purposes.

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary Shares at 31 December 2013.

13. SUBSEQUENT EVENTS

There is no subsequent event pertaining to year end.

14. APPROVAL OF ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The Annual Report and Audited Financial Statements for the year end 31 December 2013 were approved by the Board of Directors on 15 April 2014.

GLOSSARY OF TERMS

4PE – Platinum, Palladium, Gold and Rhodium

CFRBSGF – CF Ruffer Baker Steel Gold Fund

DRAVs – Development Risk Adjusted Values

DRC – Democratic Republic of Congo

GFSC – Guernsey Financial Services Commission

g/t – Grams per tonne

IFRS – International Financial Reporting Standards

IPO – Initial Public Offering (stock market launch)

JORC – AUSTRALASIAN JOINT ORE RESERVES COMMITTEE

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

MOz – million ounces

Mlb – million pounds

Mt – million tonnes

NI 43-101 – CANADIAN NATIONAL INSTRUMENT 43-101

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

PEA – Preliminary Economic Assessment

PGM – Platinum Group Metals - Platinum, Palladium, Rhodium, Iridium, Ruthenium and Osmium

POI Law – Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended

ROM – Run of Mine - Uncrushed ore in its natural state

SORP – Statement of Recommended Practice

TSX – Toronto Stock Exchange