



BAKER STEEL RESOURCES TRUST LIMITED

Half-Yearly Report and Unaudited Condensed Interim Financial Statements

For the period from 1 January 2016 to 30 June 2016

BAKER STEEL RESOURCES TRUST LIMITED

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BAKER STEEL RESOURCES TRUST LIMITED

MANAGEMENT AND ADMINISTRATION

DIRECTORS:

Howard Myles (Chairman)
Charles Hansard
Clive Newall
Christopher Sherwell
(all of whom are non-executive and independent)

REGISTERED OFFICE:

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

MANAGER:

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

INVESTMENT MANAGER:

Baker Steel Capital Managers LLP
34 Dover Street
London W1S 4NG
England
United Kingdom

STOCKBROKERS:

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT
United Kingdom

SOLICITORS TO THE COMPANY: (as to English law)

Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ
United Kingdom

ADVOCATES TO THE COMPANY: (as to Guernsey law)

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

ADMINISTRATOR & COMPANY SECRETARY:

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

BAKER STEEL RESOURCES TRUST LIMITED

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
SAFEKEEPING AND MONITORING AGENT:	HSBC Institutional Trust Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland
AUDITOR:	Ernst & Young LLP Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF Channel Islands
REGISTRAR:	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St. Sampson Guernsey GY2 4LH Channel Islands
UK PAYING AGENT AND TRANSFER AGENT:	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
RECEIVING AGENT:	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
PRINCIPAL BANKER:	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom

BAKER STEEL RESOURCES TRUST LIMITED

INVESTMENT MANAGER'S REPORT

For the period from 1 January 2016 to 30 June 2016

Financial Performance

The unaudited net asset value per Ordinary Share as at 30 June 2016 was 38.8 pence per share, up 15.7% over the six months. During this period the Euromoney Global Mining 100 Index was up 58.9% in Sterling terms.

For the purpose of calculating the Net Asset Value ("NAV") per share, all investments are carried at fair value as at 30 June 2016. The fair value of unquoted investments is determined by the Directors with assistance from the Investment Manager. Quoted investments are carried at closing prices as at 30 June 2016.

Net assets at 30 June 2016 comprised the following:

	£m	% of net assets
Unquoted Investments	32.6	73.3
Quoted Investments	12.4	27.9
Net Cash Equivalents and Accruals	(0.6)	(1.2)
	<u>44.4</u>	<u>100.0</u>

Investment Update

Top 10 Holdings – 30 June 2016

	% of NAV
Polar Silver Resources Ltd/Argentum	28.9%
Metals Exploration plc	16.8%
Bilboes Gold Limited	16.6%
Ivanhoe Mines Limited	8.1%
Cemos Group plc (formerly Global Oil Shale Group Limited)	8.1%
Black Pearl Limited Partnership	5.9%
Ironstone Resources Limited	5.5%
Gobi Coal & Energy Limited	2.9%
Archipelago Metals Limited	2.7%
Nussir ASA	2.5%
Other Investments	3.2%
Net Cash and Equivalents	(1.2%)

Top 10 Holdings – 31 December 2015

	% of NAV
Polar Silver Resources Ltd/Argentum	26.2%
Black Pearl Limited Partnership	18.5%
Metals Exploration Plc	11.0%
Bilboes Gold Limited	9.4%
Cemos Group plc (formerly Global Oil Shale Group Limited)	9.1%
Ivanhoe Mines Limited	5.4%
Ironstone Resources Limited	5.1%
Gobi Coal & Energy Limited	3.7%
China Polymetallic Mining Company Limited	3.5%
Archipelago Metals Limited	2.7%
Other Investments	4.1%
Net Cash Equivalents and Accruals	1.3%

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the period from 1 January 2016 to 30 June 2016

Review

At the end of June 2016, Baker Steel Resources Trust Limited continued to be fully invested. The negative net cash and equivalents position is a reflection of the agreement to acquire a further interest in Polar Silver which was not due for completion until after the reorganisation of that company.

During the first six months of the year, the unaudited net asset value per share rose 15.7% to 38.8p in a recovering market for mining shares, with the Euromoney Global Mining 100 Index rising 58.9% in Sterling terms. The most significant factor in the recovery of the Euromoney Global Mining 100 Index was a 24.6% rise in the gold price in dollar terms, to US\$1,322.20 per ounce, which translated into a 38.3% rise in Sterling terms during the period. This in turn led to a recovery in gold mining stocks with the FTSE Gold Mines Index up 133.7% during the first half of 2016 in Sterling terms. This, has been reflected in the carrying value of Bilboes Gold which was increased by 86% in June 2016 in US\$ terms in line with the performance of a basket of similar listed companies.

The increase in the Company's NAV would have been greater but the Board considered it necessary to provide against the carrying value of the Company's convertible loans to Black Pearl. The Black Pearl beach placer iron sands project had been hit by the weaker global iron ore price, although it should have been able to withstand this as its simple process and proximity to China meant it expected to be able to deliver iron ore concentrate, CIF China, at one of the lowest costs in the world. However it was also hit by the Indonesian Government 2014 ban on the export of unrefined raw materials. As a consequence of these new regulations Black Pearl had to revise its strategy for the mine and engaged with a number of parties interested in utilising Black Pearl's operations as the basis for a new iron/steel smelter in Indonesia. As the Company had invested in the project via convertible bonds rather than equity, at the end of 2015 it was still expected that there was a reasonable prospect of the loans and accrued interest thereon being recovered following any transaction. However the latest information at 30 June 2016 suggested that bondholders might be asked to accept a reduction in the amount they are owed or to convert into equity. Accordingly the Company decided to reduce the carrying value of its bond and accrued interest by 68%.

During the half year, the Investment Manager's main focus has been on resolving the impasse over the Company's largest investment, Polar Silver Resources Limited ("Polar Silver") and its wholly owned subsidiary ZAO Argentum ("Argentum") which holds a 50 per cent. indirect interest in the Prognoz silver project, 444km north of Yakutsk in Russia. The majority of the Company's investment in Polar Silver is in the form of convertible loans to Argentum and Polar Silver and despite being the majority loan holder, the Company was only a minority shareholder in Polar Silver and therefore unable to control the strategy of that investment.

The dispute between Polar Silver shareholders was the subject of an Extraordinary General Meeting ("EGM") at the beginning of January 2016 at which the support of the Company's shareholders gave it the authority to increase its interest in Polar Silver up to 35% of the NAV of the Company. This allowed a specially formed subsidiary of the Company to offer to acquire the interests of the other shareholders of Polar Silver. During June 2016, following negotiations with the other Polar Silver shareholders an alternative settlement was reached whereby all loans in the Polar Silver group would be converted into equity in Polar Silver. In addition, the Company agreed to acquire the interests of certain other Polar Silver shareholders, immediately following the debt conversion, for a total outlay of US\$1.2 million in cash. The overall effect at 30 June 2016 was an approximate 2% increase in the Company's NAV before currency considerations but more importantly this enables the Company to take control of the investment in order to progress the development of the Prognoz asset which remains one of the most attractive undeveloped silver projects in the world. An NI 43-101 compliant resource report by independent consultants Micon International Limited ("Micon") in July 2009 estimated an indicated resource of 5.86 million tonnes of ore grading 773 g/t silver containing 146 million ounces silver and inferred resources of 9.64 million tonnes of ore grading 473g/t silver containing 147 million ounces silver. An NI 43-101 compliant preliminary economic assessment by Micon envisages a mine producing an average of 13 million ounces of silver per annum over a 16-year mine life.

INVESTMENT MANAGER'S REPORT (CONTINUED)

For the period from 1 January 2016 to 30 June 2016

Review (continued)

A second step is envisaged, dependent on an extension to the terms of the Prognoz Mining Licence, which will incorporate a further reorganisation and a subscription by a new investor.

The majority of the Company's remaining investments continue to make progress. In particular Metals Exploration Plc commenced the commissioning of its 100,000 ounce per annum Runruno gold project in the Philippines, following the delays to repair damage caused by a super typhoon in October 2015 and it announced the first pour of gold from Runruno in June 2016. Ivanhoe Mines has also continued to make progress on all three of its major projects during 2016. Following completion of the sale of 49.5% of its Kamoanga copper project in Democratic Republic of Congo to Zijin Mining for US\$412 million, Ivanhoe announced the results of a positive pre-feasibility study for the first phase of development and also the discovery of a major new extension to the mineralisation. In May 2016 Ivanhoe announced the results of an independent, preliminary economic assessment (PEA) for the planned redevelopment of its Kipushi zinc-copper joint venture also in the Democratic Republic of Congo. The capital costs of the redevelopment were estimated to be US\$528 million, giving an after-tax net present value at an 8% real discount rate of US\$533 million and a 30.9% after-tax real internal rate of return. Meanwhile, at its Platreef Project in South Africa, Ivanhoe commenced sinking of the first development shaft and reported a 45% increase in Indicated Mineral Resources to contain an estimated 42.0 million ounces of platinum group metals and gold plus an additional 52.8 million ounces in the inferred mineral resource category.

At 30 June 2016	Price / Index Level	% Change in Six Months	% Change from Inception
Net Asset Value (pence/share)	38.8	+15.7%	-60.5%*
Ordinary Share Price (pence/share)	24.0	+65.5%	-76.0%**
MSCI All Country World Index (£)	300.94	+11.0%	+66.2%†
Euromoney Global Mining 100 Index (£)	428.53	+58.9%	-49.6%†
Iron Ore delivered to China 62% Fe (US\$)	55.66	+27.7%	-68.5%†
Copper (US\$/t)	4,840.00	+2.9%	-35.1%†
Gold (US\$/oz)	1,322.20	+24.6%	+13.2%†

Source: Bloomberg

† closing 27/4/10, **Issue price 28/4/10, * NAV 30/4/10

Outlook

As mentioned in the Company's 2015 Annual Report the gold sector of the mining market appeared to have bottomed out around the end of 2015, with the gold price rising 18.9% in the first quarter of 2016. In the second quarter this recovery continued so that the gold price was up 24.6% in the first half in US Dollar terms. Historically the silver price has tended to move in tandem with the gold price albeit with greater volatility and this rose 35% in the first half of the year. The devaluation of Sterling against the US Dollar following Brexit has enhanced these rises in Sterling terms. Although other minerals such as coal, iron ore and base metals may take a while to work through their current supply/demand fundamentals, as at 30 June 2016 the Company's top three holdings representing 62% of net assets are invested in gold and silver projects which means the Company's portfolio is well placed to capture any further increases in the gold sector.

DIRECTORS' REPORT

For the Period from 1 January 2016 to 30 June 2016

To Shareholders of Baker Steel Resources Trust Limited (the "Company")

The Board of the Company is pleased to present the Directors' Report for the six months ended 30 June 2016.

The Directors' Report contains information that covers this period and the period up to the date of publication of this Report. Please note that more up to date information is available on the Company's website www.bakersteelresourcestrust.com.

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.

Investment Objective

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

Performance

In the period ended 30 June 2016, the Company's NAV per Ordinary Share increased by 15.7%. This compares with a rise in the Euromoney Global Mining 100 Index (capital return in Sterling terms) of 58.9%. A more detailed explanation of the performance of the Company is provided within the Investment Manager's Report on pages 3 to 5.

The results for the period are shown in the Statement of Comprehensive Income on pages 12 and 13 and the Company's financial position at the end of the period is shown in the Statement of Financial Position on page 11.

Dividend and dividend policy

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

Directors and their interests

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

Howard Myles (Chairman)
Charles Hansard
Clive Newall
Christopher Sherwell

Biographical details of each of the Directors are presented on page 13 of the Company's annual report and financial statements for the year ended 31 December 2015.

DIRECTORS' REPORT (CONTINUED)**For the Period from 1 January 2016 to 30 June 2016****Directors and their interests (continued)**

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

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

	Number of Ordinary Shares 30 June 2016	Number of Ordinary Shares 31 December 2015
Christopher Sherwell	96,821	96,821
Clive Newall	25,000	25,000

Attendance at the Board and Audit Committee meetings during the period was as follows:

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

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 valuation and 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 period ended 30 June 2016 the total remuneration of the Directors was £57,500 (30 June 2015: £70,000), with £28,750 payable at 30 June 2016 (31 December 2015: £28,750).

Authorised Share Capital

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

Issue of Shares

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

In addition 10,000 Management Ordinary Shares were issued.

Following the exercise of Subscription Shares at the end of September 2010, March 2011, March 2012, June 2012 and September 2012, a total of 119,444 Ordinary Shares were issued. The final exercise date for the Subscription Shares was 2 April 2013. No Subscription Shares were exercised at this time and all residual Subscription Shares were subsequently cancelled.

Following in specie transactions on 28 June 2014 and 1 July 2014, a total of 5,561,243 Ordinary Shares were issued and, following in specie transactions on 25 February 2015 and 4 March 2015, 40,196,071 Ordinary Shares were issued.

Of the 40,196,071 Ordinary Shares issued in 2015, 38,819,601 were issued to acquire two portfolios of investments with a total value of £12.66 million and 1,376,470 to acquire 1,462,500 ordinary shares of Cemos (formerly Global Oil Shale Group Limited) for a consideration of £0.45 million. In addition the Company issued a total of 3,368,488 new Ordinary Shares in respect of cash subscriptions under an Open Offer to all shareholders for a consideration of £1,219,393.

DIRECTORS' REPORT (CONTINUED)

For the Period from 1 January 2016 to 30 June 2016

Issue of Shares (continued)

On 14 August 2015 and 20 August 2015 the Company bought back 200,000 and 500,000 Ordinary Shares respectively, both at an average price of 20 pence per share. The repurchased Ordinary Shares are held in Treasury. The buy-back policy was suspended pending completion of the acquisition of a majority interest in Polar Silver.

Following the transactions noted above the Company has a total of 114,568,335 Ordinary and 10,000 Management Shares in issue as at 30 June 2016, of which 700,000 Ordinary Shares are held in Treasury.

Going Concern

Having assessed the principal risks and uncertainties on pages 10 and 11 of the annual report and financial statements (the "Annual Report"), and the other matters discussed in connection with the viability statement as set out on pages 11 and 12 of the Annual Report for the year ended 31 December 2015, the Directors consider it is appropriate to adopt the going concern basis in preparing these interim accounts.

Related Party Transactions

Transactions with related parties are based on terms equivalent to those that prevail in an arm's length transaction and are disclosed in Note 9.

Principal risks & uncertainties

The principal risks facing the Company which include market and financial risk and portfolio management and performance risk are considered in detail, along with the risks relating to a vote to wind up the Company, on pages 10 and 11 of the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2015 which is available on the Company's website www.bakersteelresourcestrust.com. The Directors do not consider that these risks and uncertainties have materially changed during the period ended 30 June 2016 and do not expect any changes in the second half of 2016.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with the Companies (Guernsey) Law, 2008 and with International Financial Reporting Standards and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

Corporate Governance Compliance

As described in the Company's annual report for the year ended 31 December 2015 the Board has considered the principles and recommendations set out in UK Corporate Governance Code (September 2014) (the "UK Code") issued by the Financial Reporting Council (the "FRC"). Page 17 of the Annual Report presents those matters where the Company has not complied with the UK Code. There is no change in compliance since the Annual Report.

Signed for and on behalf of the Directors

Howard Myles
Chairman
17 August 2016

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED PORTFOLIO STATEMENT
AS AT 30 JUNE 2016**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Listed equity shares</u>			
Canadian Dollars			
2,566,167	Aquila Resources Inc	297,477	0.67
107,818	BacTech Environmental Corporation	2,500	0.01
658,000	Buffalo Coal Corporation	7,627	0.02
6,171,000	Ivanhoe Mines Limited	3,612,560	8.13
Canadian Dollars Total		3,920,164	8.83
Great Britain Pounds			
101,099,527	Metals Exploration Plc	7,456,090	16.79
Great Britain Pounds Total		7,456,090	16.79
United States Dollars			
55,246,318	China Polymetallic Mining Company Limited (CPM)* <i>(held via a vehicle which holds the shares in CPM)</i>	996,018	2.24
United States Dollars Total		996,018	2.24
Total investment in listed equity shares		12,372,272	27.86
<u>Debt instruments</u>			
Canadian Dollars			
250,500	Ironstone Resources Limited Loan Note	274,289	0.62
Canadian Dollars Total		274,289	0.62
United States Dollars			
15,400,000	Argentum Convertible Note	11,582,431	26.08
440,000	Bilboes Holdings Convertible Loan Note	418,859	0.94
220,000	Bilboes Holdings Loan Note	171,254	0.38
7,000,000	Black Pearl Limited Partnership	2,632,371	5.93
1,640,000	Polar Silver Convertible Notes	1,233,454	2.78
United States Dollars Total		16,038,369	36.11
Total investments in Debt instruments		16,312,658	36.73

**Classified as Level 2 (Refer Note 3)*

BAKER STEEL RESOURCES TRUST LIMITED
**UNAUDITED PORTFOLIO STATEMENT (CONTINUED)
AS AT 30 JUNE 2016**

Shares /Warrants/ Nominal	Investments	Fair value £ equivalent	% of Net assets
<u>Unlisted equity shares and warrants</u>			
Australian Dollars			
1,070,163	Burrabulla Corporation Limited	-	-
Australian Dollars Total		-	-
Canadian Dollars			
4,000,000	Aquila Resources Inc Warrants 11/10/2016	-	-
13,083,936	Ironstone Resources Limited	2,161,332	4.87
38,400	Ironstone Resources Limited Warrants 01/09/2016	-	-
3,036,605	Ironstone Resources Limited Warrants 31/12/2016	-	-
606,667	Ironstone Resources Limited Warrants 31/07/2017	4,961	0.01
143,143	Ironstone Resources Limited Warrants 22/02/2018	3,720	0.01
3,531,000	MagIndustries Corporation	-	-
500,000	Salmon River Resources Limited	-	-
Canadian Dollars Total		2,170,013	4.89
Great Britain Pounds			
1,594,646	Celadon Mining Limited	15,947	0.03
24,004,167	Cemos Group plc (formerly Global Oil Shale Group Limited)	3,600,625	8.11
Great Britain Pounds Total		3,616,572	8.14
Norwegian Krone			
7,100,689	Nussir ASA	1,116,439	2.51
Norwegian Krone Total		1,116,439	2.51
United States Dollars			
16,151,567	Archipelago Metals Limited	1,214,769	2.73
1,000,000	Archipelago Metals Limited Warrants 31/12/2016	5	-
451,445	Bilboes Gold Limited	6,790,689	15.29
4,244,550	Gobi Coal & Energy Limited	1,276,940	2.88
1,000,000	Midway Resources International	94,013	0.21
3,408	Polar Silver Resources Limited	2,563	0.01
United States Dollars Total		9,378,979	21.12
Total Unlisted equity shares and warrants		16,282,003	36.66
Financial assets held at fair value through profit or loss		44,966,933	101.25
Other Assets & Liabilities		(555,005)	(1.25)
Total Equity		44,381,541	100.00

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		Unaudited 30 June 2016 £	Audited 31 December 2015 £
Assets			
Cash and cash equivalents		68,538	562,101
Due from broker		290,733	3,720
Other receivables		57,484	77,361
Financial assets held at fair value through profit or loss	3	44,966,933	37,823,488
Total assets		45,383,688	38,466,670
Equity and Liabilities			
Liabilities			
Due to broker		840,646	-
Directors' fees payable		28,750	28,750
Management fees payable	7	43,103	25,979
Administration fees payable		28,689	23,253
Audit fees payable		10,906	21,683
Other payables		19,666	29,737
Total liabilities		971,760	129,402
Equity			
Management Ordinary Shares	8	10,000	10,000
Ordinary Shares	8	80,557,984	80,557,984
Profit and loss account		(36,156,056)	(42,230,716)
Total equity		44,411,928	38,337,268
Total equity and liabilities		45,383,688	38,466,670
Net Asset Value per Ordinary Share (in Pence) – Basic and diluted	5	38.8	33.5

These unaudited condensed financial statements on page 11 to 15 were approved by the Board of Directors on 17 August 2016 and signed on its behalf by:

Howard Myles

Christopher Sherwell

**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

		Unaudited period ended 30 June 2016 Revenue £	Unaudited period ended 30 June 2016 Capital £	Unaudited period ended 30 June 2016 Total £
Income				
Net gain on financial assets at fair value through profit or loss	3	-	6,550,736	6,550,736
Net foreign exchange gain		-	4,634	4,634
Net income		-	6,555,370	6,555,370
Expenses				
Management fees	7	177,529	-	177,529
Interest expense		66,014	-	66,014
Directors' fees		57,500	-	57,500
Administration fees		45,828	-	45,828
Custody fees		29,678	-	29,678
Legal fees		26,612	-	26,612
Audit fees		26,348	-	26,348
Directors' expenses		6,963	-	6,963
Other expenses		44,238	-	44,238
Total expenses		480,710	-	480,710
Net gain for the period		(480,710)	6,555,370	6,074,660
Net gain for the period per Ordinary Share:				
Basic and diluted (in pence)	5	(0.4)	5.7	5.3

In the period ended 30 June 2016 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Income Statement follows the recommendations of the 2014 AIC Statement of Recommended Practice.

**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015**

		Unaudited period ended 30 June 2015 Revenue £	Unaudited period ended 30 June 2015 Capital £	Unaudited period ended 30 June 2015 Total £
Income				
Interest income		35,547	-	35,547
Other income		25,783	-	25,783
Net gain on financial assets at fair value through profit or loss	3	-	4,205,771	4,205,771
Net foreign exchange loss		-	(21,395)	(21,395)
Net income		61,330	4,184,376	4,245,706
Expenses				
Management fees	7	258,814	-	258,814
Director's fees		70,000	-	70,000
Administration fees		41,447	-	41,447
Custody fees		27,745	-	27,745
Audit fees		22,291	-	22,291
Directors' expenses		2,583	-	2,583
Legal fees		1,044	-	1,044
Other expenses		61,110	-	61,110
Total expenses		485,034	-	485,034
Net gain for the period		(423,704)	4,184,376	3,760,672
Net gain for the period per Ordinary Share:				
Basic and diluted (in pence)	5	(0.4)	3.9	3.5

In the period ended 30 June 2015 there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

The format of the Income Statement follows the recommendations of the 2014 AIC Statement of Recommended Practice.

BAKER STEEL RESOURCES TRUST LIMITED**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

	Management Ordinary Shares	Ordinary Shares	Treasury Shares	Profit and loss account (Revenue)	Profit and loss account (Capital)	Period end
	£	£	£	£	£	£
Balance as at 1 January 2016	10,000	80,698,476	(140,492)	(7,292,263)	(34,938,453)	38,337,268
Net gain for the period	-	-	-	(480,710)	6,555,370	6,074,660
Balance as at 30 June 2016	10,000	80,698,476	(140,492)	(7,772,973)	(28,383,083)	44,411,928
Notes:	8	8				

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015**

	Management Ordinary Shares	Ordinary Shares	Profit and loss account (Revenue)	Profit and loss account (Capital)	Period end
	£	£	£	£	£
Balance as at 1 January 2015	10,000	66,945,285	(6,482,078)	(28,306,651)	32,166,556
Issue of Ordinary Shares for cash	-	1,219,393	-	-	1,219,393
Issue of Ordinary Shares in specie	-	13,112,248	-	-	13,112,248
Expenses related to the issue of shares	-	(578,450)	-	-	(578,450)
Net gain for the period	-	-	(423,704)	4,184,376	3,760,672
Balance as at 30 June 2015	10,000	80,698,476	(6,905,782)	(24,122,275)	49,680,419

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

	Unaudited Period ended 30 June 2016 £	Unaudited Period ended 30 June 2015 £
Cash flows from operating activities		
Net gain for the period	6,074,660	3,760,672
<i>Adjustments to reconcile gain/(loss) for the period to net cash provided by/(used in) operating activities:</i>		
Interest income	-	(35,547)
Net gain on financial assets at fair value through profit or loss	(6,550,736)	(4,205,771)
Net increase in other receivables	(40,405)	(1,686)
Net increase/(decrease) in other payables	1,712	(202,675)
	<u>(514,769)</u>	<u>(685,007)</u>
Interest received	60,282	45,801
Net cash used in operating activities	<u>(454,487)</u>	<u>(639,206)</u>
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(381,211)	(619,391)
Sale of financial assets at fair value through profit or loss	342,135	2,252,756
Net cash (used in)/provided by investing activities	<u>(39,076)</u>	<u>1,633,365</u>
Cash flows from financing activities		
Proceeds from shares issued	-	1,219,393
Expenses related to issue of shares	-	(578,450)
Net cash provided by financing activities	<u>-</u>	<u>640,943</u>
Net (decrease)/increase in cash and cash equivalents	(493,563)	1,635,102
Cash and cash equivalents at the beginning of the period	562,101	94,217
Cash and cash equivalents at the end of the period	<u>68,538</u>	<u>1,729,319</u>
Supplemental disclosure of non-cash flow information		
Purchase of financial assets at fair value through profit or loss	-	(13,112,248)
Issue of Ordinary Shares in specie	-	13,112,248

The accompanying notes form an integral part of these unaudited condensed interim financial statements

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

1. GENERAL INFORMATION

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

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

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

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

The Half-Yearly financial report has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on review of Interim Financial Information.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unaudited condensed interim financial statements have been consistently applied during the period, unless otherwise stated.

a) Statement of compliance

The unaudited condensed interim financial statements of the Company for the period 1 January 2016 to 30 June 2016 have been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted in the EU, together with applicable legal and regulatory requirements of The Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange’s Main Market. The unaudited condensed interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual report and audited financial statements as at 31 December 2015.

b) Basis of preparation

The unaudited condensed interim financial statements have been prepared under the historical cost basis, modified by the revaluation of certain financial instruments designated at Fair value through Profit or Loss upon initial recognition. The accounting policies adopted in the preparation of these unaudited condensed interim financial statements are consistent with the accounting policies stated in Note 2 of the annual financial statements for the year ended 31 December 2015. The preparation of unaudited condensed interim financial statements in conformity with IAS 34, “Interim Financial Reporting”, requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant accounting judgements and estimates

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

(i) Judgements

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

Assessment as Investment Entity

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

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

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

Subsidiaries

Entities in which the Company holds more than 50% of the voting rights, or where the Company is otherwise able to exercise control are considered as subsidiaries of the Company, these are disclosed in Note 11 of these unaudited condensed interim financial statements. Subsidiary companies are carried at fair value through profit or loss.

Associates

The Directors consider that entities in which the Company holds more than 20% of the voting rights should be considered as associates of the Company and these are disclosed in Note 13 of the Annual Report.

Going Concern

As stated in the Directors' Report the Directors have assessed the principal risks and uncertainties (as described in pages 10 and 11 of the Annual Report) and the other matters discussed in connection with the viability statement as set out on pages 11 and 12 of the Annual Report for the year ended 31 December 2015. The Directors consider it is appropriate to adopt the going concern basis in preparing these interim accounts.

(ii) Estimates and assumptions

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

(iii) Fair value of financial instruments

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Change in accounting policy

Amendments to IAS 1: Disclosure Initiative

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

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

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

The amendments are applicable for annual periods beginning on or after 1 January 2016. Adoption of this amendment does not have a material impact on the presentation of Company’s financial statements.

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

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

e) Accounting standards and amendments to existing accounting standards in issue but not yet effective

IFRS 9 Financial Instruments

IFRS 9 *Financial Instrument*, effective date 1 January 2018, specifies how an entity should classify and measure 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 *Financial Instruments: Recognition and Measurement*. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company’s financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

Amendments to IAS 7 - Statements of cash flow

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

30 June 2016	Listed equity shares	Unlisted equity shares	Debt instruments	Warrants	Total
	£	£	£	£	£
<i>Financial assets at fair value through profit or loss</i>					
Cost	15,434,516	26,132,382	14,758,620	21,826	56,347,344
Unrealised (loss)/gain	(3,062,244)	(9,859,065)	1,554,038	(13,140)	(11,380,411)
Market value at 30 June 2016	<u>12,372,272</u>	<u>16,273,317</u>	<u>16,312,658</u>	<u>8,686</u>	<u>44,966,933</u>

31 December 2015	Listed equity shares	Unlisted equity shares	Debt instruments	Warrants	Total
	£	£	£	£	£
<i>Financial assets at fair value through profit or loss</i>					
Cost	17,010,213	25,904,903	13,764,242	21,826	56,701,184
Unrealised (loss)/gain	(9,018,307)	(13,614,664)	3,766,844	(11,569)	(18,877,696)
Market value at 31 December 2015	<u>7,991,906</u>	<u>12,290,239</u>	<u>17,531,086</u>	<u>10,257</u>	<u>37,823,488</u>

The following table analyses net (losses)/gains on financial assets at fair value through profit or loss for the period/year ended 30 June 2016 and 31 December 2015.

	Period ended 30 June 2016	Year ended 31 December 2015
	£	£
Financial assets at fair value through profit or loss		
<i>Realised gain/(losses) on:</i>		
- Listed equity shares	(946,549)	(4,035,152)
- Unlisted equity shares	-	(11,956,811)
- Convertible Debt instruments	-	(9,011)
- Warrants	-	(7,092)
	<u>(946,549)</u>	<u>(16,008,066)</u>
<i>Movement in unrealised gains/(losses) on:</i>		
- Listed equity shares	5,956,063	1,856,871
- Unlisted equity shares	3,755,599	6,446,620
- Debt instruments	(2,212,806)	1,116,693
- Warrants	(1,571)	(37,446)
	<u>7,497,285</u>	<u>9,382,738</u>
Net gain/ (loss) on financial assets at fair value through profit or loss	<u>6,550,736</u>	<u>(6,625,328)</u>

The following table analyses investments by type and by level within the fair valuation hierarchy at 30 June 2016.

	Quoted prices in active markets	Quoted market based observables	Unobservable inputs	Total
	Level 1	Level 2	Level 3	£
	£	£	£	£
<i>Financial assets at fair value through profit or loss</i>				
Listed equity shares	11,376,254	996,018	-	12,372,272
Unlisted equity shares	-	-	16,273,317	16,273,317
Warrants	-	-	8,686	8,686
Debt instruments	-	-	16,312,658	16,312,658
	<u>11,376,254</u>	<u>996,018</u>	<u>32,594,661</u>	<u>44,966,933</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

	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	6,266,464	1,725,442	-	7,991,906
Unlisted equity shares	-	-	12,290,239	12,290,239
Warrants	-	-	10,257	10,257
Debt instruments	-	-	17,531,086	17,531,086
	6,266,464	1,725,442	29,831,582	37,823,488

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 period/year included in net loss on financial assets and liabilities at fair value through profit or loss held at 30 June 2016.

	Unlisted Equities £	Debt instruments £	Warrants £	Total £
Opening balance 1 January 2016	12,290,239	17,531,086	10,257	29,831,582
Purchases of investments	227,479	994,378	-	1,221,857
Change in net unrealised (losses)/gains	3,755,599	(2,212,806)	(1,571)	1,541,222
Closing balance 30 June 2016	16,273,317	16,312,658	8,686	32,594,661
Unrealised gain/(losses) on investments still held at 30 June 2016	(9,859,065)	1,554,038	(13,140)	(8,318,167)

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 period/year included in net loss on financial assets and liabilities at fair value through profit or loss held at 31 December 2015.

	Unlisted Equities £	Debt instruments £	Warrants £	Total £
Opening balance 1 January 2015	12,128,320	12,497,799	280	24,626,399
Purchases of investments	6,893,464	3,925,604	21,826	10,840,894
Sales of investments*	(1,318,043)	-	-	(1,318,043)
Change in net unrealised (losses)/gains	6,446,128	1,116,694	(11,849)	7,550,973
Realised gains/(losses)	(11,956,811)	(9,011)	-	(11,965,822)
Transfer from Level 1 to 3	97,181	-	-	97,181
Closing balance 31 December 2015	12,290,239	17,531,086	10,257	29,831,582
Unrealised gain/(losses) on investments still held at 31 December 2015	(17,585,378)	3,368,631	(11,569)	(14,228,316)

*The most significant sale during the year ended 31 December 2015 was Ferrous Resources which was sold for £1,307,957. These proceeds represented a gain of £354,767 against the 31 December 2014 book value, but the investment had previously been written down substantially and a loss of £11,876,647 was realised against acquisition cost.

It is the Company's policy to recognise a change in hierarchy level when there is a change in the status of the investment, for example when a listed company delists or vice versa, or when shares previously subject to a restriction have that restriction released.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

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

There were no transfers into Level 3 during the period ended 30 June 2016. During the year ended 31 December 2015 Burrabulla Corporation Limited (formerly South American Ferro Metals Limited) has been transferred from Level 1 to Level 3 as it is no longer listed. The value of the investment has been written down to zero following it being placed into administration and delisted.

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

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

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain less-liquid listed equities. Level 2 investments are valued with reference to the listed price of the shares should they be freely tradeable after applying a discount for liquidity if relevant. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Company held such investments at 30 June 2016 amounting to £996,018 (31 December 2015: £1,725,442).

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

Valuation methodology of Level 3 investments

The default valuation technique is of Latest Recent Transaction. Where an unquoted investment has been acquired or where there has been a material arm's length transaction during the past six months it will be carried at cost unless there are changes or events which suggest cost is not equivalent to fair value.

Where there has been no Latest Recent Transaction the primary valuation driver is IndexVal. For each core unlisted investment, the Company maintains a weighted average basket of listed companies which are comparable to the investment in terms of commodity, stage of development and location ("IndexVal"). IndexVal is used as an indication of how an investment's share price might have moved had it been listed. Movements in commodity prices are deemed to have been taken into account by the movement of IndexVal.

A subsidiary driver of valuation is DRAV. 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 are 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, this is taken as the primary driver for valuing Level 3 investments.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)
Valuation methodology of Level 3 investments (continued)

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, due to the difficulty in establishing a sensible volatility for unlisted shares without giving distorted results.

iv. Convertible loans

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

Quantitative information of significant unobservable inputs – Level 3

Description	30 June 2016		Unobservable input	Range (weighted average)
	£	Valuation technique		
Unlisted Equity	7,208,773	Recent Transactions	Private transactions	n/a
Unlisted Equity	8,952,021	IndexVal	Change in IndexVal	n/a
Unlisted Equity	112,523	Other	Project Milestones	n/a
Debt Instruments				
Argentum & Polar Silver Convertible Loan Notes	12,815,885	Valued at par with reference to credit risk and value on conversion	Development risk discount rate	n/a
Black Pearl Limited Partnership	2,632,371	Valued at estimated cash recoverable	Recovery estimation	+/-33%
Other Debentures/Loans	864,402	Valued at par with reference to credit risk	Development risk discount rate	n/a
Warrants	8,686	Simplified Black & Scholes Model	Volatilities	40%
Description	31 December 2015		Unobservable input	Range (weighted average)
	£	Valuation technique		
Unlisted Equity	6,373,862	Recent Transactions	Private transactions	n/a
Unlisted Equity	4,710,067	IndexVal	Change in IndexVal	n/a
Unlisted Equity	1,206,310	Other	Project Milestones	n/a

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)
Quantitative information of significant unobservable inputs – Level 3 (continued)

Description	31 December 2015 £	Valuation technique	Unobservable input	Range (weighted average)
Debt Instruments (continued)				
Argentum & Polar Silver Convertible Loan Notes	10,038,650	Valued at par with reference to credit risk and value on conversion	Development risk discount rate	n/a
Black Pearl Limited Partnership	7,071,647	Valued at par plus interest accrued with reference to weighted average of probabilities of repayment	Probability Weighting	n/a
Other Debentures/Loans	420,789	Valued at par with reference to credit risk	Development risk discount rate	n/a
Warrants	10,257	Simplified Black & Scholes Model	Volatilities	40%

Information on third party transactions in unlisted equities is derived from the Investment Manager's market contacts. The change in IndexVal for each particular unlisted equity is derived from the weighted average movements of the individual baskets for that equity so it is not possible to quantify the range of such inputs. A sensitivity of 70% has been used in the analysis above as this was the greatest amount that Index Val moved for any single investment during any six month period since IndexVal was first adopted. The valuation method for Ironstone changed from Recent Transaction at 31 December 2015 to IndexVal at 30 June 2016. The valuation for Black Pearl changed from valued at par plus interest accrued with reference to weighted average of probabilities of repayment at 31 December 2015 to the estimated cash recoverable at 30 June 2016. The valuation technique for Gobi changed from "IndexVal" at 31 December 2015 to "Recent Transaction" at 30 June 2016 and Nussir changed from "Other" to "Recent Transaction".

Credit Risk analysis of 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 30 June 2016 are as shown below:

Description	Input	Sensitivity used*	Effect on Fair Value (£)
Unlisted Equity	Change in IndexVal	+/-70%	+/-11,391,322
Debt Instruments			
Argentum Convertible & Polar Silver Loan Notes	Development risk discount rate	+20%	nil
Black Pearl Limited Partnership	Estimated recovery range	+/-33%	+/-1,166,667
Other Debentures/Loans	Development risk discount rate	+20%	nil
Warrants	Volatility of 40%	+/-20%	+8,307/-6,352

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

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

Credit Risk analysis of significant changes in unobservable inputs within Level 3 investments (continued)

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

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

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

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

***Of amount outstanding

4. OTHER FINANCIAL INSTRUMENTS

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

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

Other assets include the contractual amounts for settlement of the trades and other obligations due to the Company. 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.

5. NET ASSET VALUE PER SHARE AND PROFIT OR LOSS PER SHARE

Net asset value per share is based on the net assets of £44,411,928 (31 December 2015: £38,337,268) and 114,578,335 (31 December 2015: 114,578,335) Ordinary Shares, being the number of shares in issue at 30 June 2016. The calculation for basic and diluted net asset value per share is as below:

	30 June 2016 Ordinary Shares	31 December 2015 Ordinary Shares
Net assets at the period end (£)	44,411,928	38,337,268
Number of shares*	114,578,335	114,578,335
Net asset value per share (in pence) basic and diluted	38.8	33.5
Weighted average number of shares	114,578,335	111,241,585

*Including 10,000 Management Ordinary Shares

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

5. NET ASSET VALUE PER SHARE AND PROFIT OR LOSS PER SHARE (CONTINUED)

The basic and diluted gain per share for the period ended 30 June 2016 is based on the net gain for the period of the Company of £6,074,660 and on 114,578,335 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The basic and diluted gain per share for the period ended 30 June 2015 is based on the net gain for the period of the Company of £3,760,672 and on 107,788,169 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

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

7. MANAGEMENT AND PERFORMANCE FEES

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

The Performance Period is each 12 month period ending on 31 December in each year (the "Performance Period"). The Manager may in certain circumstances 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 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, having made adjustments for numbers of Ordinary Shares issued and/or repurchased as described above. In addition, the performance fee will only become payable if there have been sufficient net realised gains.

There were no performance fees for the current or prior period. If the Company wishes to terminate the Management Agreement without cause it is required to give the Manager 12 months prior notice or pay to the Manager an amount equal to: (a) the aggregate investment management fee which would otherwise have been payable during the 12 months following the date of such notice (such amount to be calculated for the whole of such period by reference to the Market Capitalisation prevailing on the Valuation Day on or immediately prior to the date of such notice); and (b) any performance fee accrued at the end of any Performance Period which ended on or prior to termination and which remains unpaid at the date of termination which shall be payable as soon as, and to the extent that, sufficient cash or other liquid assets are available to the Company (as determined in good faith by the Directors), provided that such accrued performance fee shall be paid prior to the Company making any new investment or settling any other liabilities; and (c) where termination does not occur at 31 December in any year, any performance fee accrued at the date of termination shall be payable as soon as and to the extent that sufficient cash or other liquid assets are available to the Company (as determined in good faith by the Directors), provided that such accrued performance fee shall be paid prior to the Company making any new investment or settling any other liabilities.

The management fee for the period ended 30 June 2016 was £177,529 (30 June 2015: £ 258,814) out of which £43,103 (31 December 2015: £25,979) was outstanding at the period end.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

8. 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 114,568,335 (31 December 2015:114,568,335) Ordinary Shares in issue with 700,000 held in treasury. In addition, the Company has 10,000 (31 December 2015: 10,000) Management Ordinary Shares in issue, which are held by the Investment Manager.

On 28 August 2014, the Company agreed to subscribe for 1,462,500 Ordinary Shares of Cemos Group plc (formerly Global Oil Shale Group Limited) for a consideration of £585,000. This consideration was settled through the issue of 1,376,470 Ordinary Shares of the Company at the unaudited net asset value of 42.5 pence per share on 27 February 2015. Under IFRS the consideration of this transaction has to be valued based on listed price of 32.5 pence per share as at 2 March 2015. Therefore the consideration for this transaction is £0.45 million which is recognised in the financial statements.

On 25 February 2015, the Company acquired two portfolios of Investments with a total value of £16 million. This consideration was settled through the issue of 30,468,522 new Ordinary Shares of the Company based on the unaudited net asset value of 42.6 pence per share on 18 February 2015 and 8,351,079 new Ordinary Shares of the Company based on a 15% discount to this unaudited net asset value. Under IFRS the consideration for this transaction has to be valued based on listed price of 32.6 pence per Ordinary Shares of the Company as at 23 February 2015. Therefore the consideration for this transaction is £12.66 million which is recognised in the financial statements. The fair values of the loan notes and shares received were determined by reference to the valuation techniques as outlined in Note 3.

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

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

The above transactions had no impact on the profit or loss of the Company in the year they were processed; they did however impact the NAV per share of the Company.

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

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

	30 June 2016		31 December 2015	
	Amount £	No. of shares**	Amount £	No. of shares**
Issued and fully paid share capital				
Ordinary Shares of no par value* (including Management Ordinary Shares)	80,708,476	115,278,335	80,708,476	115,278,335
Treasury Shares	(140,492)	(700,000)	(140,492)	(700,000)

The issue of Ordinary Shares during the period ended 30 June 2016 took place as follows:

	Ordinary Shares		Treasury Shares	
	Amount £	No. of shares**	Amount £	No. of shares
Balance at 1 January 2016	80,567,984	114,578,335	140,492	700,000
Issue of Ordinary Shares	-	-	-	-
Redemption of Ordinary Shares	-	-	-	-
Balance at 30 June 2016	<u>80,567,984</u>	<u>114,578,335</u>	<u>140,492</u>	<u>700,000</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016**

8. SHARE CAPITAL (CONTINUED)

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

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

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

** Includes 10,000 Management Ordinary Shares

9. RELATED PARTY TRANSACTIONS

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

	Number of Ordinary Shares 30 June 2016	Number of Ordinary Shares 31 December 2015
Christopher Sherwell	96,821	96,821
Clive Newall	25,000	25,000

The Manager, Baker Steel Capital Managers (Cayman) Limited, had an interest in Nil Ordinary Shares at 30 June 2016 (31 December 2015: 504,832).

The Investment Manager, Baker Steel Capital Managers LLP, had an interest in 10,000 Management Ordinary Shares at 30 June 2016 (31 December 2015: 10,000).

Baker Steel Global Funds SICAV – Precious Metals Fund (“Precious Metals Fund”) had an interest in 7,669,609 Ordinary Shares in the Company at 30 June 2016 (31 December 2015: 7,669,609). These shares are held in a custodian account with Citibank N.A. London. Precious Metals Fund shares a common Investment Manager with the Company.

10. SUBSEQUENT EVENTS

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

11. SUBSIDIARY COMPANIES

The Company holds a 100% interest in Polar Acquisition Limited (“PAL”); a Company incorporated in the British Virgin Islands. PAL has been incorporated to allow the Company to acquire the interest of other shareholders of Polar Silver.

The interest in PAL is for investment purposes and it is deemed a subsidiary as more than 50% of the voting rights are controlled by the Company. As at the date of publishing these unaudited condensed interim financial statements, it is the opinion of the Directors that the fair value of PAL is US\$1, the amount of capital the Company has invested in PAL.

12. APPROVAL OF HALF YEARLY REPORT AND UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The Half-Yearly Report and Unaudited Condensed Interim Financial Statements to 30 June 2016 were approved by the Board of Directors on 17 August 2016.