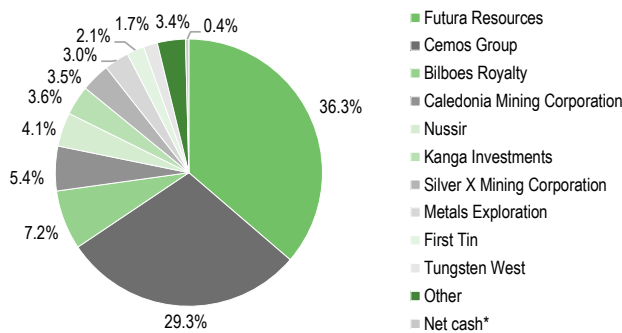


Baker Steel Resources Trust

Strong revaluation boost from Futura

Baker Steel Resources Trust (BSRT) has reported a strong 16.3% NAV increase in its end-December 2023 monthly update (reducing the FY23 NAV decline to 6.3%), following its year-end portfolio valuations update. The key driver was a c 47% revaluation of Futura Resources, BSRT's largest holding, which owns two coking coal mines in Australia. This follows the successful financing in September 2023, which allowed Futura to advance its Wilton mine to production. At the last closing price, BSRT shares are trading at a 44% discount to its unaudited end-2023 NAV.

Futura now makes up c 36% of BSRT's NAV



Source: BSRT. Note: *Including cash equivalents and accruals.

Wilton on track, Fairhill could start production soon

BSRT highlighted that the Wilton mine is making progress largely according to plan, with first coal expected to be shipped to the Gregory Crinum site for processing and inaugural coal sales in the first half of February 2024. Moreover, Futura is in advanced negotiations for A\$35m in offtake finance for the development of Fairhill (its second mine), which could be concluded soon, with a potential production start within six months of Wilton coming onstream. See our [earlier note](#) for project details.

Futura offering healthy income prospects

The production start at Wilton (and later at Fairhill) will trigger first payments to BSRT from its 1.5% gross revenue royalty. BSRT's management earlier indicated pre-tax royalty income potential for Futura of A\$4m (c £2m) pa, assuming full production ramp-up to 2m tonnes and forward curve prices which are well below the current spot price of US\$330/tonne. In addition, BSRT has a convertible loan from Futura (with a coupon rate of 21% pa) and a 23.4% equity stake (offering the prospect of regular, sizeable dividend payments in the medium term).

Cemos proceeding with its new clinker line

The cement producer Cemos was revalued by 14% to reflect part of the expected benefit from commencing a compact calcination unit to produce its own clinker (a key input, making up c 70% of production costs) later this year. Cemos believes that this could potentially double the company's EBITDA while providing better security of clinker supply. Other major portfolio changes include a 37% reduction in the fair value of Kanga Potash and a c 19% upward revaluation of Nussir based on the change in comparable listed companies.

Investment trusts Metals and mining

23 January 2024

Price 43.5p
Market cap £46.3m
NAV £82.2m

NAV* 77.2p

*At end- December 2023.

Discount to NAV 43.7%

Yield 0.0%

Shares in issue* 107.2m

*Including 700k treasury shares.

Code/ISIN BSRT/GG00B6686L20

Primary exchange LSE

AIC sector Commodities & Natural Resources

52-week high/low 55.0p 33.5p

NAV high/low 83.90p 66.1p

Gearing

Cash and accruals at 31 December 2023 0.4%

Fund objective

Baker Steel Resources Trust (BSRT) is a closed-ended investment company aiming to achieve long-term capital growth through investing in equity, loans and related instruments issued by private natural resources companies. It targets a global, concentrated portfolio of 15–20 investments. BSRT's objective is to create value through driving the development of investee companies, as well as exploiting market inefficiencies and pricing anomalies.

Bull points

- Exposed to project development gains – not a simple beta play on commodity prices.
- Downside protection is provided by BSRT's focus on realising value from project development; valuations based on consensus forecasts for commodity prices; and the use of convertible debt (currently only in the case of Cemos).
- Maturing portfolio, with several projects approaching mine construction or production.

Bear points

- The tough funding environment may delay project progress and/or result in fund-raising at depressed valuations.
- Risk of cost overruns due to the inflationary environment.
- Some projects are located in high-risk mining jurisdictions.

Analyst

Milosz Papst +44 (0) 20 3077 5700

investmenttrusts@edisongroup.com

[Edison profile page](#)

Baker Steel Resources Trust is a research client of Edison Investment Research Limited

General disclaimer and copyright

This report has been commissioned by Baker Steel Resources Trust and prepared and issued by Edison, in consideration of a fee payable by Baker Steel Resources Trust. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2024 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.
