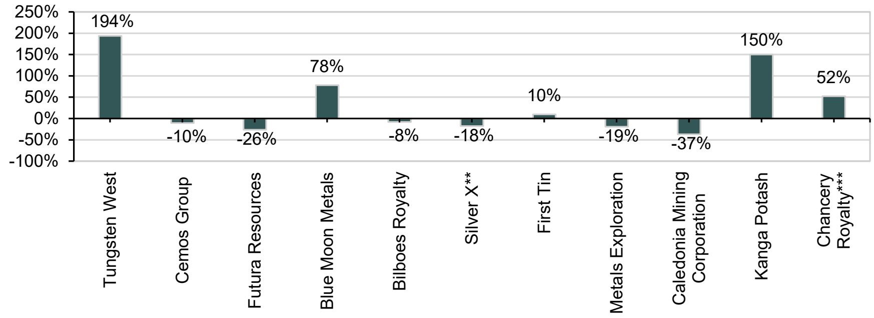
Baker Steel Resources Trust

NAV TR of c 15% in H126 despite markdowns

Baker Steel Resources Trust (BSRT) posted a robust 15.4% NAV total return (TR) in H126, ahead of the c 5% and 10% TR posted by the S&P/TSX Global Mining Index and the MSCI World Metals & Mining Index, respectively, in sterling terms, bolstered primarily by its listed holdings Tungsten West and Blue Moon Metals. This was partly offset by the downward valuation adjustments of its two major unlisted holdings: Futura Resources (driven by a negative impact from adverse weather conditions and the war in the Middle East as well as lower public comparable multiples) and Cemos (due to lower peer multiples). These two assets were, alongside a de-rating in listed holdings, major drivers behind the 13.6% NAV decline in June 2026. As BSRT's discount to NAV narrowed from 43% at end-2025 to 24% currently, its share price TR to date was a strong 55%.

Exhibit 1: Movements in carrying value of BSRT's major holdings in H126*



Source: Company data, LSEG Data & Analytics, Edison Investment Research.
Note: *May include follow-on investments and partial disposals. **Net effect from share price change, BSRT partial sale of equity stake and C$9m investment in the convertible debenture. ***50% revaluation reported in June 2026 recalculated to sterling.

Maiden dividend payment ahead

BSRT reiterated its plan to declare its first interim dividend in September 2026, in line with its new capital allocation policy announced in April 2026 targeting a return of capital of 5% of NAV per year, including 3% of NAV in dividends paid semi-annually (see our previous note for details). For illustrative purpose, a dividend based on end-June 2026 NAV would imply an attractive 3.9% annualised dividend yield, based on the last closing price. Given the narrower but still double-digit discount to NAV, BSRT also continues to execute NAV-accretive buybacks, which it initiated in February 2026 and on which it has spent c £1.4m so far, repurchasing 1.2% of shares outstanding at end-2025.

Multiple assets to enter or ramp-up production

Funding access across BSRT's portfolio remained favourable, with Tungsten West, Blue Moon Metals, Silver X Mining, Caledonia Mining Corporation (CMCL) and Kanga Potash all completingnew financings in H126. Good access to funding, together with high prices of several commodities, should support production launch and ramp-up, and in turn de-risking and reduction in the development/financing discount at several of BSRT's assets over the next 18 months. This, along with the high share of listed assets (49% at end-H126), should improve BSRT's capacity to fund shareholder distributions over the medium term.

Not intended for persons in the EEA.

Investment companies
Metals and mining

21 July 2026

Price		**120.50p**
Market cap		**£127m**
Shares in issue		105.2m
Code/ISIN		BSRT/GG00B6686L20
Primary exchange		LSE
AIC sector		Commodities & Natural Resources
Financial year end		31 December
52-week high/low	137.0p	63.5p

Fund objective

Baker Steel Resources Trust is a closed-end 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 10–20 investments. Its objective is to create value through driving the development of investee companies, as well as exploiting market inefficiencies and pricing anomalies.

Bull points

- Maturing portfolio, with several projects approaching mine construction or production, offering the potential to generate income or exit proceeds.
- Exposed to project development gains; not a simple beta play on commodity prices.
- Some 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.

Bear points

- Continued war in the Middle East may lead to sustained upward price pressure and limited availability of diesel, which could affect production at Futura's mines.
- High portfolio concentration makes BSRT's performance dependent on a narrow set of assets (although portfolio diversification improved lately).
- Some projects are located in high-risk mining jurisdictions.

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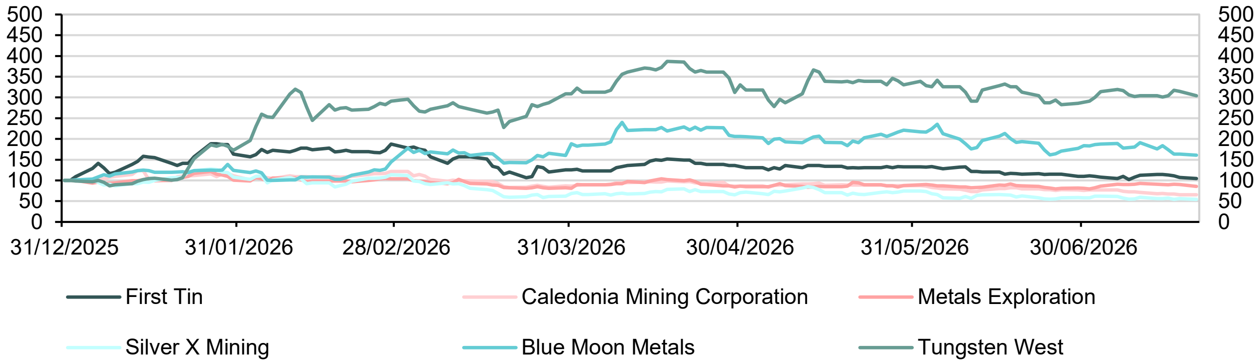
Tungsten West: Phased commissioning starts in Q326

BSRT's main return driver in H126 was its 7.3% stake in Tungsten West, the AIM-listed developer of the tungsten and tin Hemerdon Mine in the UK, which posted a 189% TR (see Exhibit 2), adding 16.2pp to BSRT's NAV TR. Tungsten West highlighted in early July that it is on track to restart the Hemerdon Mine within budget and in line with the previously announced timelines. It aims for the first phase restart of fines gravity processing in July and full project commissioning in Q127. We understand that, as per earlier company comments, this should allow for the subsequent ramp up to nameplate capacity of 500 tonnes per hour during 2027. Tungsten West also confirmed that it is well advanced in its hiring process, with more than 100 employees already recruited out of the targeted 350 by early Q127. Moreover, it said in May that it has seen good traction in terms of discussions with multiple off-take parties.

Tungsten West's mine is developed against a backdrop of very favourable current tungsten prices north of US$3,000/ metric tonne unit (mtu) compared to Tungsten West's price assumption of US$400/mtu and steady-state all-in sustaining cost of US$144/mtu in its FY25 feasibility study. The high price is driven by tungsten's status as a critical dual-use mineral (across sectors such as defence, solar PV and semiconductors). China (which accounts for c 80% of global tungsten supply) became a net importer amid rising domestic requirements and constrained supply, while its export controls further tightened availability outside China. Last year, Tungsten West's project was designated an EU Critical Raw Materials Act project and received non-binding letters of interest from the Export-Import Bank of the US (EXIM) for up to US$95m in financing. Tungsten West's management disclosed in its February 2026 investor deck that the company would, at a tungsten price of US$1,313/mtu (ie significantly below the current spot price), generate US$294m of annual EBITDA once in full production.

Exhibit 2: Share price TR of BSRT's major listed holdings year-to-date



Source: LSEG Data & Analytics, Edison Investment Research

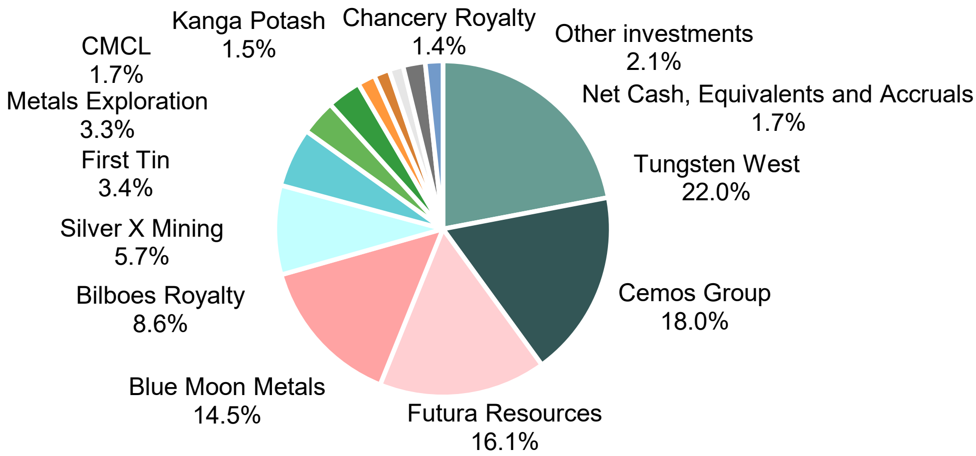
Cemos Group: Production capacity to double from mid-2027

The carrying value of BSRT's stake in the Moroccan cement producer Cemos has been reduced by 10.4% following the interim valuation update because of lower multiples of two of its local listed comparators: Holcim Maroc and Ciments du Maroc. BSRT attributes this to possible lower confidence in the construction sector in Morocco following the Middle East conflict. According to Morocco's Ministry of National Spatial Planning, Urban Development, Housing and Urban Policy, domestic cement demand fell by 10.9% y-o-y in Q126, but this was due to disruption to construction works from heavy rainfall and the calendar effect related to the Muslim holiday Eid al-Fitr. Cement deliveries declined by only 1.3% in H126, following a 27.7% y-o-y increase in June 2026.

Long-term demand for cement remains underpinned by extensive infrastructure investments in the country (including preparations for the World Cup in 2030, which Morocco will host with Spain and Portugal), as well as the direct housing aid (Daam Sakane) programme launched by the Moroccan government in January 2024 (covering the period 2024–28) to drive property ownership, especially for low-income and middle-class citizens. In April 2026, the International Monetary Fund released a GDP growth forecast for Morocco for 4.9% in 2026 (in line with 2025 growth) followed by 4.5% in 2027.

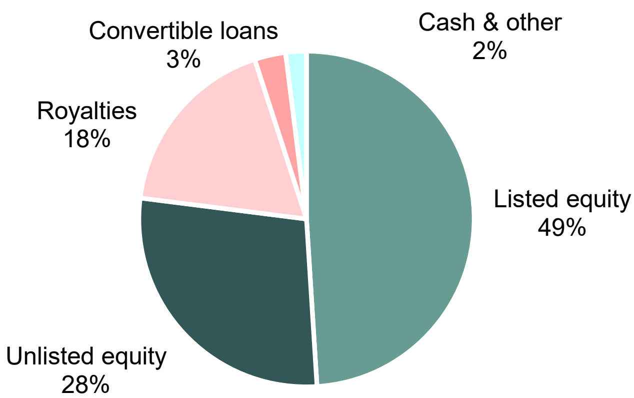
Cemos's underlying operating progress seems on track. Based on our conversation with BSRT's manager, we understand that the compact calcination unit (CCU) is performing well, producing high-quality clinker, although some debottlenecking is still required to consistently achieve nameplate capacity. BSRT expects the CCU to materially reduce clinker costs and lift Cemos's EBITDA in FY26. Moreover, the foundation work for the second cement plant is on track to be completed by the end of July 2026 (allowing Cemos to double production capacity from mid-2027 to 570k tonnes per year). We note that its existing Tarfaya plant is benefiting from its location in Southern Morocco given the government's emphasis on significant public infrastructure investments in Western Sahara, a large and underdeveloped region. BSRT expects Cemos to post an EBITDA of €12–15m in FY26 and €15–22m in FY27, compared to an estimated €9.0m in FY25. Furthermore, BSRT believes that Cemos should pay its maiden dividend in H226, assuming confirmation of a planned c €5m project loan facility to support its expansion plans.

Exhibit 3: BSRT's portfolio breakdown as of end-June 2026



Source: Company data

Exhibit 4: BSRT's portfolio breakdown by investment type at end-June 2026



Source: Company data

Futura Resources may need additional equity

While Futura's Fairhill mine has already reached its production target, the restart of the Wilton mine has been postponed until early 2027. This is a function of unusually adverse cyclonic weather and the resulting flooding in Queensland, as well as higher diesel costs and limited availability of fuel caused by the Middle East conflict. This more than offset the positive impact of a higher coking coal price, which for Australian Seaborne hard coking coal (Free on Board) currently stands at c US$233/metric tonne (mt), according to Bloomberg, slightly above the long-term consensus prices of US $220/mt stated in BSRT's 2025 annual report.

BSRT highlighted that these adverse conditions may result in Futura needing to raise additional equity to stay within the covenants of its recently issued Nordic Bond. This, together with a de-rating of listed peers, resulted in a reduction in the carrying value of BSRT's equity and royalty in Futura by 31.2% and 24.3%, respectively. Simultaneously, BSRT reported that Futura has been approached by several parties interested in consolidating production assets in the area, possibly due to more attractive valuations for buyers.

Blue Moon Metals: Targeted production at two assets in Q427

Another well-performing listed holding was Blue Moon Metals, the share price of which appreciated by 84% in sterling terms in H126. In April 2026, the company completed a feasibility study for the Nussir copper project and subsequently approved the final investment decision to construct the mine. Blue Moon also awarded the EPC contract for the Nussir processing plant in June and received approval for its waste-management plan, amended discharge permit and updated mine operating plan. According to the company, these approvals completed the project's material permitting framework. Hot commissioning of the process plant is scheduled to begin in Q327, with production targeted for Q427.

Blue Moon also advanced a fast-track plan to restart commercial production at the recently acquired Springer tungsten mine and mill complex in Nevada, targeting Q427. However, this production decision was based on management's internal technical and economic work rather than a current feasibility study or mineral reserve estimate. After the period end, Blue Moon announced a 67,000-metre drilling programme and extensive historical-core validation and technical work at Springer, aimed at supporting its Q427 production target.

In May 2026, the company raised C$156.25m in gross proceeds through a public offering and concurrent private placement at C$10 per share. Under the original C$150m use-of-proceeds allocation, C$105m was earmarked for Nussir and C$10m for Springer, with further amounts allocated to the zinc-gold-silver-copper Blue Moon and germanium-gallium Apex projects.

Improved cash flow of precious metals mining holdings

The softening gold and silver prices in H126 led to a de-rating of BSRT's listed precious metals mining holdings: Silver X Mining, Metals Exploration and CMCL. The share price decline of Silver X Mining may have also been driven by its C$69m five-year secured convertible debenture placement to fund the expansion, development and exploration of its Nueva Recuperada silver/lead/zinc project in Peru. BSRT invested C$9m in this debenture, funded largely from the partial sale of its equity stake. That said, precious metals prices remain significantly above levels seen a year ago, which, according to BSRT's manager, resulted in its holdings starting to generate strong cash flow and, in turn, support its expansion projects.

The carrying value of BSRT's 1% net smelter royalty in Bilboes Gold, CMCL's main expansion project, was reduced by 8% in H126. CMCL has made progress on financing Bilboes, including its January 2026 issue of US$150m of convertible senior notes, which generated c US$130m in net proceeds. However, the feasibility study estimates peak funding of US$484m, meaning that substantial additional financing remains to be secured. CMCL targets first gold production from the full-scale sulphide project in late 2028, with 2029 expected to be its first full year of production.

The manager's confidence in the precious metals sector and the improved financing outlook for some junior miners is illustrated by its two recent pre-IPO investments in the precious metals royalty company Chancery Royalty (February 2026) and Mackay Gold & Silver Corp (March 2026). BSRT's pre-IPO investment in Chancery Royalty was already revalued upwards by 50%, reflecting the pricing of its second pre-IPO capital raising ahead of its Q426 listing. BSRT invested US$1.5m in the pre-IPO financing of Mackay Gold & Silver, which began trading under the symbol MACK on 24 April. The financing raised US$60.3m. Mackay controls a large, consolidated land package in Nevada's Comstock gold-silver district. At end-June, its share price was approximately 71% above BSRT's entry price in sterling terms.

Kanga Potash: Preparations for disposal

BSRT also revalued upwards its stake in Kanga Potash by over 100% following the pricing of a new equity raise for working capital purposes. Meanwhile, it is working towards the sale of its Kanga Potash project in the Republic of Congo.

Exhibit 5: BSRT's discrete performance data versus selected public indices in TR, sterling terms (%)

12 months ending	Total share price return (%)	Total NAV return (%)	UK All-Share index (%)	S&P/TSX Global Mining
30/06/22	5.2	5.5	32.2	20.8
30/06/23	(32.1)	(16.3)	7.9	9.1
28/06/24	19.1	20.4	13.0	11.4
30/06/25	18.4	28.9	11.2	11.3
30/06/26	104.0	51.5	21.9	63.4

Source: Company data, LSEG Data & Analytics, Edison Investment Research