

# Baker Steel Resources Trust

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## Baker Steel allows investors access to a mining world normally open only to private equity

"Resources equities are entering a recovery phase."

That's the straightforward strapline on one of the key slides in the latest presentation from Baker Steel Resources Trust Limited (LON:BSRT).

It's a simple enough message that's illustrated elsewhere in the same presentation with the use of the mining investment clock first devised by Lion Selection Trust back in the day.

According to the concept of the clock a market crash happens at 12 o'clock. As the clock ticks round there then comes, in the following order: shock, cost cutting, company liquidations, dividend cuts, asset write downs, and credit agency downgrades.

By that time the hour-hand has progressed to the four on the clockface. After that, between the hours of 4 o'clock and 5 o'clock comes: stabilising metals prices, a fall in debt levels, cautious buying, and the beginning of merger and acquisition activity.

By the time 6 o'clock comes round, the market is beginning to move into boom-time conditions, and a whole new phase of the cycle begins.

But according to the Baker Steel analysis, the clock now reads sometime between about five and six o'clock.

Accordingly, Baker Steel is now positioning itself for some busy times ahead.

Much groundwork has already been laid, as Trevor Steel explains.

"In bad times no-one has any money and that's when things are cheap," he says.

"And there's a window when people get forced into deals. We were able to do a couple of nice deals at the bottom, in particular the restructuring of Polar Silver."

Central to the opportunity at Polar Silver is a 293 mln ounce silver deposit in the Far East of Russia that looks highly attractive but which will take upwards of US\$250 mln to build.

During the bear market, the private vehicle controlling the project found itself on the wrong end of a convertible that it couldn't repay, and accordingly Baker Steel emerged with control.

But Trevor Steel's ties to Russia run deep. When he was still at Mercury Asset Management, he was on the board of a Russian gold mining company called Buryatzoloto and knows fine well that having a local partner makes things a run a

**Price:** 43.25p

**Market Cap:** £50.22M

### 1 Year Share Price Graph



### Share Information

**Code:** BSRT

**Listing:** LSE

52 week	High	Low
	44p	25p

**Sector:** Equity Instruments

**Website:**  
[www.bakersteelresourcestrust.com](http://www.bakersteelresourcestrust.com)

### Company Synopsis:

*Baker Steel Capital Managers LLP ("BSCM") is a specialist natural resources asset management and advisory firm, authorised and regulated by the Financial Conduct Authority, operating from its head office in London and its branch office in Sydney. The firm was founded in 2001 by the principals David Baker and Trevor Steel, who were also founding members of the Blackrock mining team in 1992.*

### Author:

**Proactive Investors Ltd**

**+44 (0)207 989 0813**

**action@proactiveinvestors.com**

great deal more smoothly in any business transaction in Russia.

Who better than Polymetal, the second largest gold producer in Russia and the largest producer of silver? Polymetal now has an option to buy, and it's racing ahead with evaluation work.

Given that Polar Silver accounts for around 30% of the Baker Steel portfolio, this is good news, especially since, in Trevor Steels words, "silver is not up with events."

So plenty of upside there. But what else has Baker Steel got cooking as the mining investment clock continues to tick round?

In fact, the portfolio offers opportunity in commodities and jurisdictions across the board. Around 30% is in silver, accounted for by the investment in Polar.

Then, there's 20% in gold, much of it accounted for by a multi-million ounce project in Zimbabwe which the company bought into for a relative song and which boasts discovery costs of less than a dollar an ounce. A further 13% of the asset portfolio is in copper, with 9% in iron ore, 5% in potash, 8% in cash, and some additional exposure to oil shale, cement, platinum, nickel and chrome.

If you're bullish commodities this is a nice mix to be in. Notable by their absence also are some of the more racier and currently fashionable battery-related metals like lithium and cobalt, and almost the only major commodity missing is coal.

But that's about to change. Baker Steel is currently putting the finishing touches on an A\$8 mln-A\$10 mln investment into a new Australian coal listing called Gateway. This has assets in the Bowen Basin in Queensland, an area that will be well-known to many UK investors, as both Rio Tinto (LON:RIO) and Anglo Pacific Group (LON:APF) have an interest in the nearby Kestrel mine.

Once that investment goes through, Baker Steel will be fully invested, but even so, there are no immediate plans for further fundraising. With Polar Silver, the Trust has already shown willingness to realise value, bringing in Sprott as an investor earlier this year and subsequently selling a 6.2% interest for £2.2 mln in cash in July.

"We don't anticipated doing any kind of capital raising at the moment," says Steel.

After all, Baker Steel's holding in Ivanhoe Mines (TSE:IVN) is very liquid and accounts for around 12% of the portfolio. That holding is almost as good as cash anyway, and should any choice opportunity emerge, could be liquidated and redeployed very rapidly.

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Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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