

Non-Independent Research

A MiFID II compliant note

\*SP Angel acts as Nomad & Broker to Bushveld Minerals.

21 July 2021

### Stock Data

Ticker	BMN LN
Share Price:	12.3
Market Cap:	£146m

### Price Chart



## Q2/21 production recovers with annual guidance reiterated

Bushveld is an integrated vanadium mining, processing and technology businesses. The South African group owns 74% of Vametco and 100% of the Vanchem. Bushveld Energy (84%) is developing a vanadium redox batteries for grid use in SA.

- Q2/21 production totalled 886 mtV (Q1/21: 688 mtV) after completing a 35-day planned maintenance shutdown at Vametco in the previous quarter.
- Vanadium prices climbed during the quarter with the LMB FeV price averaging US\$36.0/kg (Q1/21: US\$30.9/kg) on the back of a recovering demand and tighter supply.
- Growth momentum was maintained following the quarter end with prices reaching US\$40.1/kg in mid-July.
- Vametco contributed 593 mtV (Q1/21: 395 mtV) with production reaching 278 mtV and 261 mtV in May and June reflecting improved plan availability rates following maintenance works.
- Stronger production towards the end of the quarter helped to compensate for the effect of unprotected industrial action in April.
- C1 unit costs pulled slightly to US\$25.8/kgV (Q1/21: US\$26.5/kgV) reflecting higher output with more waste stripping reported in the mining operations.
- Monthly run rate is guided at 240 mtV through the remainder of the year implying H2/21 production at 1,440 mtV (H1/21: 988 mtV) helping to bring unit costs lower and reaching annual guidance.
- Vametco FY21 guidance reiterated at 2,300-2,400 mtV at US\$23.7-24.2/kgV C1 unit costs.
- Vanchem contributed 293 mtV (Q1/21: 293mtV), flat on the previous quarter and on course for guided annual range.
- C1 unit costs were little changed on the previous at US\$30.9/kgV (Q1/21: \$30.7/kgV); H1/21 cost of US\$29.5/kgV climbed significantly on the previous year reflecting higher input costs of concentrate from Vametco to supplement ore supply, increased maintenance and staff costs as well as stronger SA rand.
- Vanchem ore stocks are expected to be depleted by the end of Q3/21 at which point the Company is expecting either to increase the share of 3rd party material or source feedstock from the Upper Seam at Vametco.
- The Upper Seam zone at the Vametco deposit is estimated to host 0.9mt in reserves and 16mt in resources offering an opportunity to supply 34ktpm to Vanchem processing facilities at the end of Q3/21 preliminary for 18 months.
- The Company is studying the potential to extend this supply beyond the initial 18 months.
- The Upper Seam reserves grade 1.76% V2O5 with magnetite content of 65% which is reported to be superior to previous third-party suppliers.
- **Vanchem FY21 guidance: 1,100-1,200 mtV at US\$30.3-31.1/kgV C1 costs**
- PFS work on expanding production capacities continues with the team adjusting the scope considering Vametco mining operations as the single ore supply source for both Vametco and Vanchem in the medium term.

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**Bushveld Continued...**

- The study is expected to be completed in Q4/21.
- The Company highlights an increase in new Covid-19 infections in South Africa with 54 active cases recorded at its facilities, although, no material impact on operations has been reported.
- The Company launched the vaccination programme both for Vametco and Vanchem.
- Commenting on latest incidents of unrest in the country, the Company reported no disruptions to production; logistics experienced delays in delivering the product to port that the Company is expecting to make up for in Q3/21.

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Buy - Expected return >15%

Hold - Expected return range -15% to +15%

Sell - Expected return < 15%