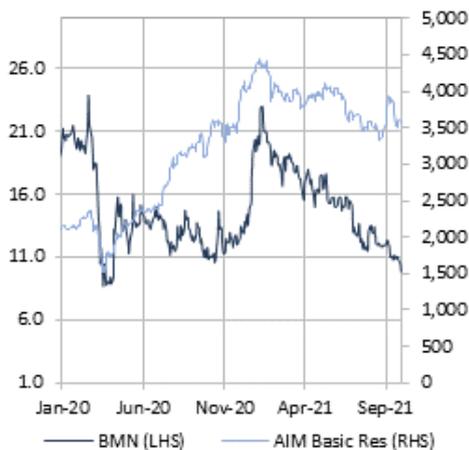


27 September 2021

Stock Data

Ticker	BMN LN
Share Price:	10.7
Market Cap:	£126m

Price Chart



Interims highlight doubling of vanadium production to 5,000-5,400mtVpa by end-2022

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.

- Bushveld Minerals report a 9% rise in H1 sales to \$47m from \$43m yoy.
- Group production fell 5% to 1,574mtV vs 1,661/mtV .
- Vametco production guidance is for: 2,300-2,400mtV at a cost of \$23.70-24.20/kgV.
- Vanchem production guidance is for: 1,100- 1,200mtV at a cash cost of \$30.3-31.1/kgV.
- **Vanadium sales** fell 9% to 1,608mtV vs 1,765/mtV.
- The average realised Vanadium prices rose to \$29.24/kgV vs \$24.2/kgV. We note the lag in received prices against the H1 LBM ferrovanadium price of \$33.4/mtV in H1.
- High iron ore prices encouraged traders to blend magnetite ores bearing vanadium with hematite ores. Bushveld expects this practice to stop at iron ore prices of <\$100/t.
- Vanadium prices are around \$29/mtV in China today having slipped around 13% in the past 30 days..
- An **EBITDA** loss of \$10.8m vs a loss of \$1.0m was recorded despite the increase in sales due to scheduled maintenance and unscheduled stoppages in Q1.
- **Unit costs** rose to \$39.7/kgV vs \$25.0/kgV.
- **Vametco cut costs by 2.6% in Q2 and expects costs to fall to previous guidance of US\$23.7-24.2/kgV for C1 unit costs.**
- South African rand strength led to a rise in local costs with the currency rising 13% to 14.54/USD through the period. The rand has since weakened to 15.04 today.
- **Operating losses** rose to \$19.7m vs a loss of \$9.9m yoy with the rand strength adding ~\$7.3m to the EBITDA loss.
- **Pre-tax losses** rose to \$22.7m vs \$10.7m yoy.
- Group unit costs rose by 59% to \$39.7/kgV from \$25.0/kgV.
- **Production outlook:** Critically, management expect to double vanadium production through the restart of Kiln 3 at Vanchem with \$18m of capex now allocated.
- Vanchem's Kiln 3 is of a similar size and capacity as the main kiln at Vametco and should raise Vanchem production to ~2,600mtV, with Vametco running at ~2,600mtV.
- **Production is targeted to rise to a run rate 5,000-5,400mtV by end 2022 and onto 6,400-6,800mtV in the medium term.**
- The group remains on schedule to produce 3,400-3,600mtV by the year end.

*SP Angel act as Nomad and broker to Bushveld Minerals

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Bushveld Continued...

- **Production is targeted to rise to a run rate 5,000-5,400mtV by end 2022 and onto 6,400-6,800mtV in the medium term.**
- The group remains on schedule to produce 3,400-3,600mtV by the year end..
- Bushveld maintain their aim to raise production to 8,400mtV pa in the longer term.
- **Cost savings:** Bushveld aim to cut costs by \$2.5-4m pa from 2022.
- Operating and administrative costs came in at US\$14.4 m vs \$14.0m in H1 2020.
- Sustaining capital \$6.1m vs \$0.1m in H1 2020
- **Bushveld Energy:** Construction has started on the new vanadium electrolyte plant in South Africa being built in conjunction with the IDC agency who are partners in the business.
- This will be the largest publicly announced plant outside China at 200MWh pa of vanadium electrolyte production. The plant should hopefully scale up to 800MWh pa as demand for VRFB batteries rises for longer term power storage.
- Bushveld recently sold 9,000kg of vanadium pentoxide to Invinity Energy Systems for \$200,000 presumably for conversion into electrolyte.
- Covid-19: Bushveld saw five active Covid cases with a 96% recovery rate and two Covid-related fatalities through the period.
- The group are running a vaccination program for Vametco and Vanchem employees.
- **Cash at end June:** \$31.6m vs \$50.5m and end December.
- **Net debt:** \$54.4m vs \$33.7m at end December due to the H1 loss on lower production, higher unit costs and the stronger rand.

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Recommendations are based on a 12-month time horizon as follows:

Buy - Expected return >15%

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

Sell - Expected return < 15%