

Bushveld Minerals

Rollup of Vametco BEE interest

Bushveld Minerals (“BMN”) has announced an agreement to acquire the 26% minority stake in its Vametco vanadium operation in South Africa for aggregate consideration of 232m shares, worth ~US\$3.7m based on the current share price. This would both simplify the company’s structure and should be materially value accretive; we value 100% of Vametco at US\$238m. The transaction will require South African Reserve Bank approval, which is expected within six weeks. We maintain a target price of GBP6/share pending approval of the transaction. BMN remains in a period of transition, of which this is a significant element, that should result in a streamlined business with a strengthened balance sheet, higher production, and lower costs.

Vametco minority interest to be acquired for 232m shares in BMN

BMN currently holds a 74% interest in Bushveld Vametco Holdings (“BVH”) through which it owns the Vametco mine and plant with the balance held by two BEE entities: Business Venture Investments 973 Proprietary Limited (“BVI 973”) and Business Venture Investments No. 1833 Proprietary Limited (“BVI 1833”). These entities will sell their shares in BVH for 232m consideration shares equivalent to 13% of the enlarged capital of BMN. The Vametco Community Trust holds 25% of BVI 973 with the balance held by Marble Gold 208 that is in turn a wholly owned subsidiary of Jaxson 640 Ltd. Mr Billy Chipane, a director of BVH, has a 70% beneficial interest in Jaxson 640 Ltd with the Peo Matlafatso Trust holding the balance. Jaxson 640 holds a 100% interest in Oakleaf Investments 115 (Pty) Ltd that owns BVI 1833. In addition to the shares, BMN will pay BVI 1833 ZAR18 million in cash and cede an A Class Share in Oakleaf Investments 115 Pty Limited, which entitled it to 20% of all distribution from that point forward, to BVI 973. BMN will also cancel a US\$0.513m loan to an intermediate subsidiary. Both BVI 973 and BVI 1833 have agreed to a six month lock in to 70% of the shares issued post completion with a right to subscribe to additional shares to maintain their aggregate holding at 13% for the same period at the same price as any shares issued to a third party. This convoluted transaction will simplify the ownership structure of Vametco and allow BMN to take full control of the asset. Following the completion of the transaction, Billy Chipane will resign from the board of BVH.

Route to a cleaner balance sheet but operational turnaround key

BMN is also seeking to complete the restructuring of its US\$45m convertible loan notes with Orion Mine Finance and the proposed series of investments with Southern Point Resources. This should bring US\$69.5m-US\$77.5m of investment into the company in return for the sale of 50% of BMN’s interest in the Vanchem plant and its 64% stake in the Mokopane deposit, as well as a three year sales and marketing agreement. Assuming these transactions complete, we expect net debt to decline to <1x EBITDA by the end of 2024. This assumes that BMN also meets its production forecasts with 2023 guidance of 3,700tV-3,900tV (H&Pe 3,775tV) at a cash cost of US\$26.6/kgV-US\$26.9/kgV (H&Pe US\$26.79/kgV). We assume production of 4,101tV in 2024 at a cash cost of US\$24.63kgV with a positive impact from more stable operation across Vametco and Vanchem.

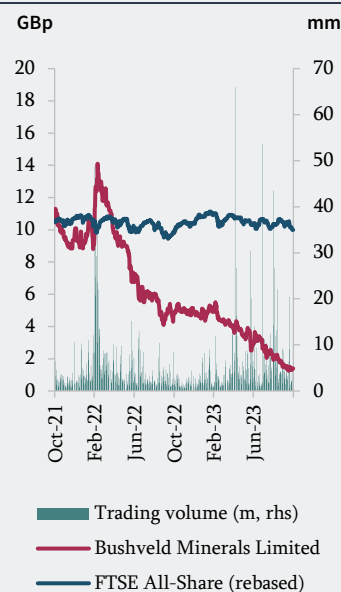
Valuation: £0.06 target, improved operations performance to drive rerating

We value BMN using a DCF model for the company’s operations, based on the existing reserve. We use a 10% WACC and assume an average received vanadium price of US\$45/kg over the long term supported by demand growth for vanadium batteries and higher vanadium loading in steel. This supports our valuation of £0.06/share. The short term focus should be on whether the operational progress can be maintained and revised guidance met while the various elements of the restructuring are completed.

GICS Sector	Materials
Ticker	BMN.LN
Market cap 27-Oct-23 (US\$m)	23
Share price 27-Oct-23 (GBP)	1.4
Target price Dec-23 (GBP)	6

+329%

Upside to £0.06/share valuation



The cost of producing this material has been covered by Bushveld Minerals as part of a contractual engagement with H&P Advisory Ltd.

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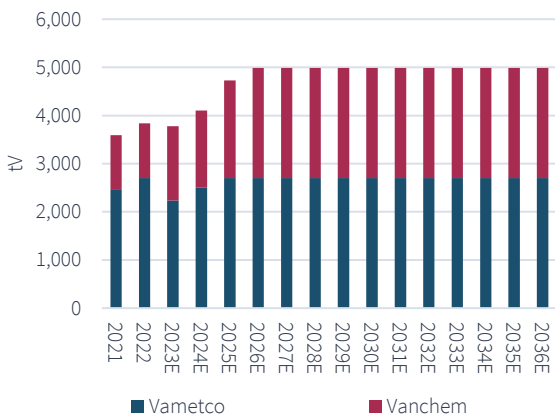
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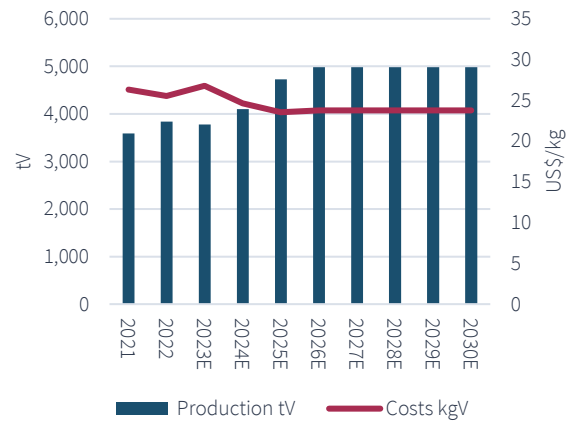
Key Charts

Bushveld production split



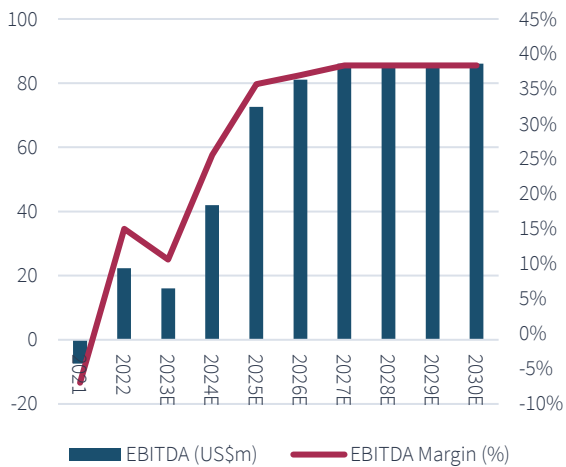
Source: Company, H&Pe

Bushveld production and costs



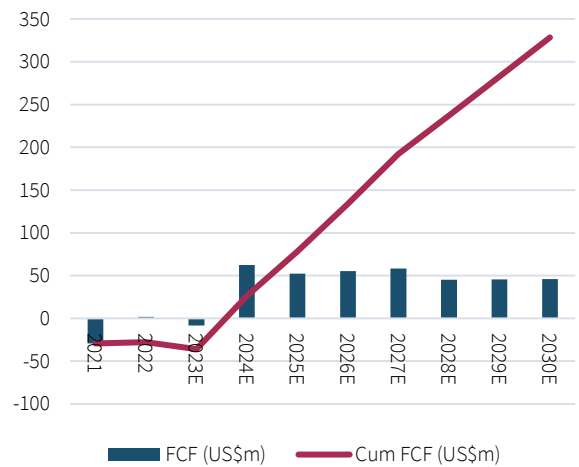
Source: Company, H&Pe

Bushveld EBITDA and EBITDA margin



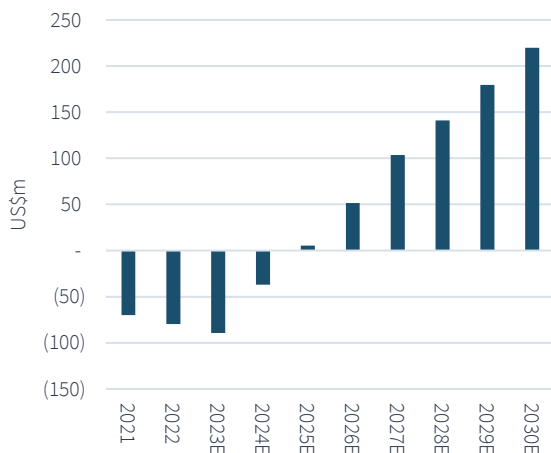
Source: Company, H&Pe

Bushveld FCF and cumulative FCF



Source: Company, H&Pe

Bushveld Net debt



Source: Company, H&Pe

Bushveld SOTP valuation, £0.06/share



Source: H&Pe

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