

Bushveld Minerals

Q3 Production: Incremental beat, guidance maintained

Bushveld Minerals (“BMN”) has released a Q3 production update for the company’s operations in South Africa. Group production for the period was an incremental beat at 1,000tV versus our expectation of 992tV, with a beat from Vametco more than offsetting a miss at Vanchem. Cash costs for the quarter were US\$26.5/kgV, in line with our expectation of US\$26.55/kgV. Management has maintained revised guidance for the year of 3,700tV-3,900tV at a cash cost of US\$26.6kgV-US\$26.9kgV; H&Pe 3,775tV at US\$26.79kgV. Sales were below production at 849t; management is guiding for sales to be in line with production over the balance of 2023. We view these results as a positive and a clear indication that the operational turnaround plan is beginning to bear fruit. We maintain a target price of GBp6/share pending approval of the Vametco 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.

Good quarter at Vametco offsets a miss at Vanchem

The Vametco mine produced 368kt of ore during Q3, which was slightly ahead of our expectation of 356kt, with the plant producing 545tV of nitro vanadium vs H&Pe 527tV. This was despite issues associated with the barren dam and sulphate recovery plant (“SRP”) and reliability challenges at the leach plant. The issues at the leach plant have now been resolved and work to improve the SRP and barren dam are progressing though remain sensitive to heavy rainfall. Cash cost for the period at Vametco was US\$26.5/kgV, in line with our expectation. Vanchem milled 82.4kt of ore, below our expectation of 87kt. The plant produced 455tV (vs H&Pe 465tV) split between 90tV of chemicals, 66tV of flake and 299tV FeV. While this was a 28% QoQ improvement the plant continued to be impacted by unplanned stoppages. Costs for the period were US\$26.4/kg, below our expectation of US\$26.8/kg. Both plants do not have any maintenance scheduled for Q4 and are well positioned to meet guidance for the year. BMN also completed the hot commissioning of the BELCO electrolyte plant during the period with samples sent out to potential customers. The 3.5MW solar PV mini-grid at Vametco was also commissioned during the period, which should provide 10% of the electricity for the operation improving reliability and reducing costs.

A number of transactions underway to de-gear and simplify the structure

BMN is in the process of rolling up the 26% Black Economic Empowerment (“BEE”) shareholding in Vametco, principally through the issue of 232m shares in BMN with approval from the South African Reserve Bank expected over the next month. In addition, BMN is restructuring the US\$45m convertible loan notes with Orion Mine Finance ahead of its 21 December 2023 due date and working to complete the proposed series of investments with Southern Point Resources that 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, and a three year sales & marketing agreement. If all of these transactions complete, we expect net debt to decline to >1x EBITDA by the end of 2024.

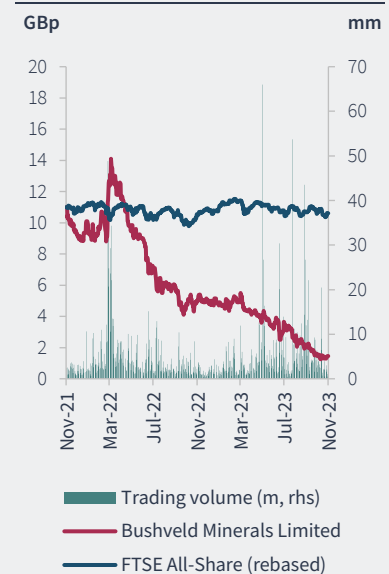
Valuation: £0.06 target, improved operational performance to drive rerating

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 3-Nov-23 (US\$m)	27
Share price 3-Nov-23(GBp)	1.45
Target price 31-Dec-23 (GBp)	6.0

+314%

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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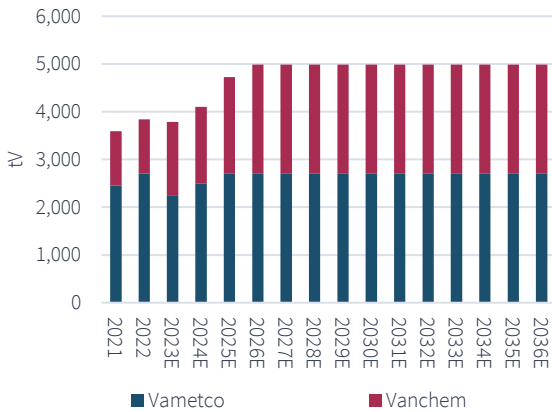
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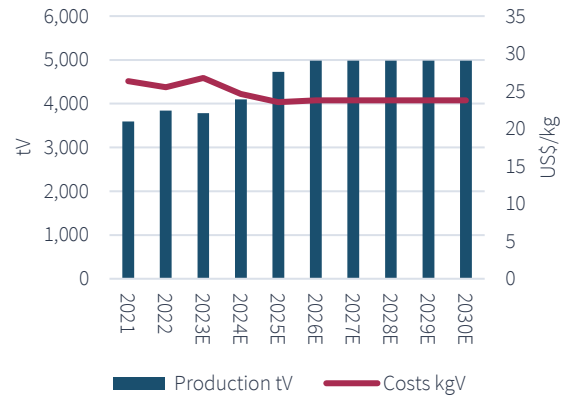
Key Charts

Bushveld production split



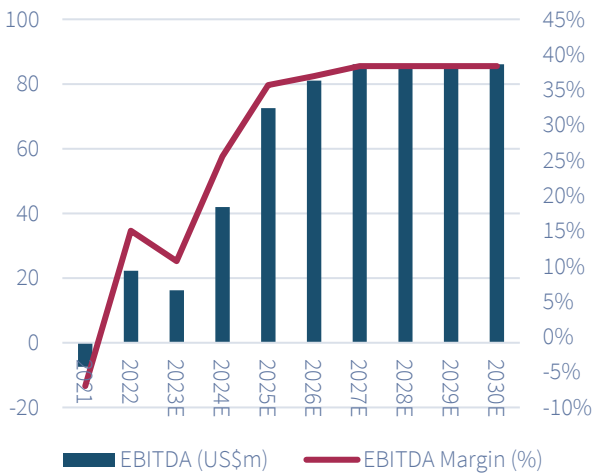
Source: Company, H&Pe

Bushveld production and costs



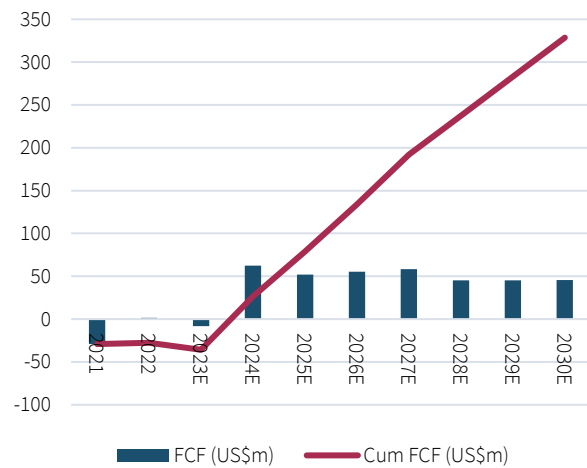
Source: Company, H&Pe

Bushveld EBITDA and EBITDA margin



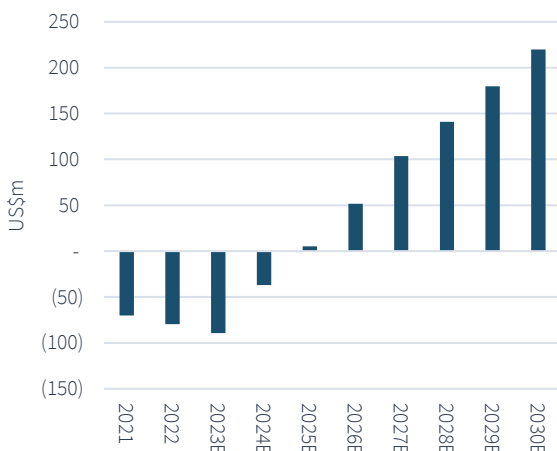
Source: Company, H&Pe

Bushveld FCF and cumulative FCF



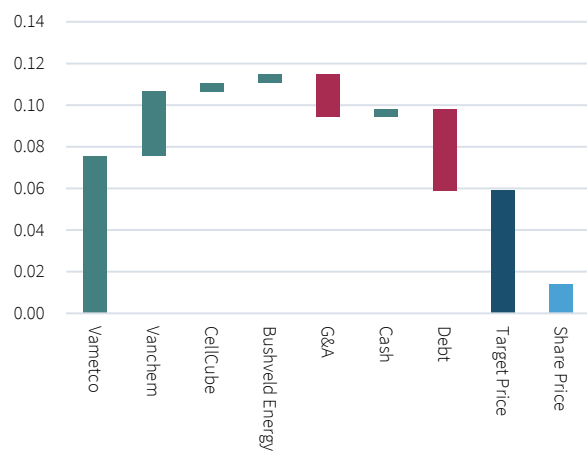
Source: Company, H&Pe

Bushveld Net debt



Source: Company, H&Pe

Bushveld SOTP valuation, £0.06/sh; 314% upside



Source: H&Pe

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