

# Bushveld Minerals

## FY23 Results, Orion facility extension

Bushveld Minerals (“BMN”), a primary vanadium producer with operations in South Africa (“SA”), has released its FY23 results and financing update. In addition, there was a board update with both the Chair, Michael Kirkwood, and NED David Noko standing down. The FY23 financials are of limited interest as the company has both previously released its production and highlighted the significant financial challenges it faces. The financing update reported an amendment to the agreement with Orion Mine Finance through which it will further invest up to US\$10m, matching funds from Southern Point Resources (“SPR”) with all of the permissions now met for further drawdown of the SPR working capital facility. These facilities, in addition to other funds raised and measures taken, should provide the flexibility to navigate the current low vanadium price environment, whilst also driving down unit costs at Vametco, renormalising relations with suppliers and completing necessary maintenance. Our valuation remains suspended.

### Orion agreement and debt extension provides additional flexibility

Orion has agreed to invest up to US\$10m in cash, matching funds paid by SPR on an equal basis including any monies paid since 3<sup>rd</sup> May 2024. Funding will be through a supplementary royalty that was formed during the convertible restructuring, which is in addition to the previous Production Financing Agreement. During the term loan, a royalty of 0.264%-0.5% will be paid when the received vanadium price is <US\$47/kgV or 0.216%-0.405% when the price is >US\$47/kgV. After the later of 30 June 2027 and the loan repayment, the royalty rates will be reduced by 50% throughout the balance of Vametco’s mine life. Bushveld has had to provide additional security over Vametco for the supplementary royalty, which will require South African Reserve Bank (“SARB”) approval. Orion will also be able to appoint a director or board observer, and a committee with three BMN and three Orion members will be established to monitor and agree operational progress and targets. The first repayment date of the Orion term loan has been extended from 30<sup>th</sup> June 2024 to 31<sup>st</sup> December 2025.

### FY23 reflects challenging operational and pricing environment

BMN announced revenue of US\$137.5m with negative underlying EBITDA of US\$7.5m and an adjusted EBITDA loss of US\$66.1m due to impairments of US\$58.6m. During the year the company produced 3.7ktV and sold 4.05ktV with average cash costs of US\$26.6/kgV, All in Sustaining Costs (“AISC”) of US\$51/kgV, and an average realised price of US\$33.9/kgV. This drove a net loss of US\$104m and negative FCF of US\$9.4m. The company finished the year with US\$1.3m of cash and US\$105.8m of debt. During the year, BMN faced poor operational performance linked to maintenance, supplier issues, and power availability. Furthermore, the vanadium price declined and continues to be depressed, currently trading at US\$26/kgV.

### Additional funding and Vanchem sale should stabilise situation

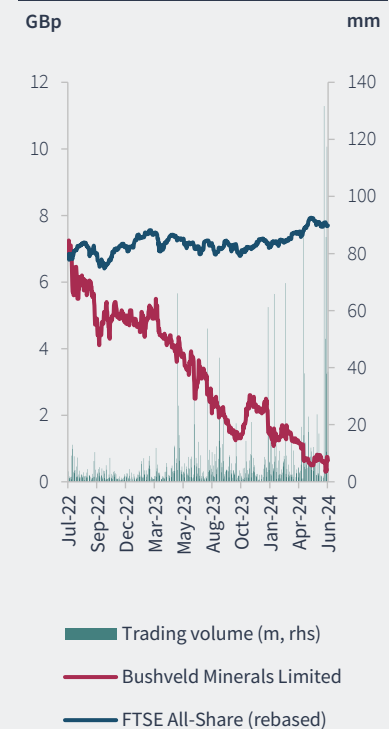
Management have acted to strengthen BMN’s balance sheet, lower its cost base, and maintain continuous production from the remaining integrated Vametco mine and plant. The objective is to achieve consistent steady state production of 240tV/month by Q4 with projects to buttress the slimes dam and increase the capacity of the barren dam at Vametco. The measures taken to strengthen the balance sheet includes the sale of the Vanchem plant, the restructuring of the Orion convertible, and the raising of US\$18.4m of equity, of which US\$14.9m has been received. This forms part of a larger funding package with SPR that includes the sale of Vanchem and Mokopane for US\$40m-US\$45m, a working capital facility, and a marketing and sales agreement.

### Valuation remains suspended ahead of guidance

Our valuation remains suspended ahead of detailed cost and production guidance.

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GICS Sector	Materials
Ticker	BMN.LN
Market cap 1-July-24 (GB£m)	14
Share price 1-July-24 (GBp)	0.65



Source: S&P Capital IQ

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