

Bushveld Minerals

Funding tightness and weak pricing weigh on Q1

Bushveld Minerals' ("BMN"), which mines and produces vanadium products from two facilities in South Africa ("SA") has released its Q1 operational results with production of 855tV (sales 880tV). Stronger production at Vanchem was more than offset by a very weak quarter at Vametco, due to scheduled maintenance. Group average cash costs were US\$28.4/kgV, up 9.8% YoY, with global average vanadium prices of US\$28.4/kgV during the period (Q4 US\$31.6/kgV), in part due to Asian markets being notably weak. The US\$3.5m due from Acacia Resources remains outstanding and the approval for the sale of the 50% interest in Vanchem has been delayed to at least July 2024. Management has flagged funding tightness as a result, noting that operations may need to be suspended if additional funding cannot be secured over the coming weeks. We suspend our valuation pending further clarity on funding.

Strong Q1 from Vanchem, Vametco impacted by shutdown

Vanchem produced 498t in Q1; a 48.3% increase QoQ and 90.9% increase YoY driven by improved ore quality, plant efficiency, and reduced downtime. Production was split between chemicals, flake, and ferrovanadium. This will likely not be matched in Q2 due to a 23 day shutdown for planned maintenance. Costs at Vanchem were US\$25.3/kgV compared to US\$34.1/kg in Q1'23. Vametco produced 357tV during the period, a 39.4% QoQ reduction with costs of US\$32.8/kg. Production was impacted by a prolonged maintenance period in January and February with a further 10 day shutdown planned for Q3. The company has suspended guidance for 2024, pending clarification on its financial position.

Sale of interest in Vanchem and Mokopane delayed, funding very tight

BMN is progressing with the planned sale of 50% of the Vanchem plant to SPR for US\$21.3m with a further US\$3.7m paid for BMN's 64% interest in the Mokopane vanadium project. Approval for this transaction from the South African Competition Tribunal has been delayed to at least July, from February previously. The delay was caused by a delay in SPR submitting the application, the sale being 'large' not 'intermediate', and the involvement of the Minister of Trade, Industry and Competition. The US\$3.5m subscription from Acacia Resources that was due to be paid before 28th February is also still outstanding with lawyers instructed to commence legal proceedings against Acacia. The combination of delays to funding, low production, and low pricing has created funding tightness. The group currently has US\$2.22m of cash and management has flagged that BMN will either need to secure additional funds or must suspend operations over the coming weeks.

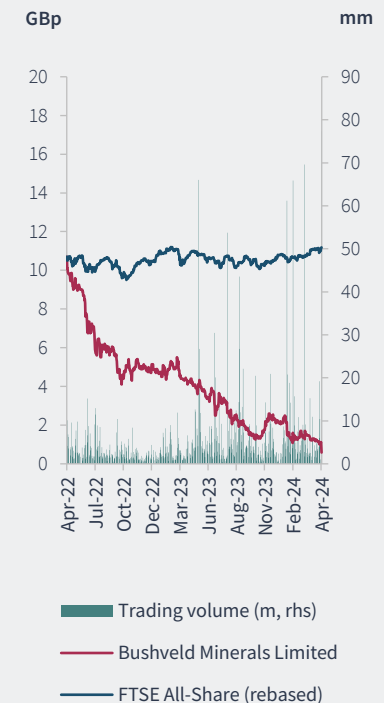
Updated Vametco reserve shows 10% increase

BMN has also released an updated reserve for Vametco with a 10% increase to 293kt V2O5 at a grade of 2%. The indicated and inferred resource stood at 180.4Mt at an average grade of 1.98% V2O5 with a magnetite content of 35%, containing 694.6kt of contained vanadium. This updated reserve highlights that Vametco is a long-life asset that could sustain operations well into the 2040s.

Valuation: Suspending valuation pending funding clarity

The short-term focus should be on securing funding to allow operations to continue, including the outstanding funds from Acacia and the funds that should be paid once the sale of BMN's 50% interest in Vanchem and its 64% interest in Mokopane are received.

GICS Sector	Materials
Ticker	BMN.LN
Market cap 22-April-24 (GB£m)	27
Share price 22-April-24 (GBp)	1.13



Source: S&P Capital IQ

Jonathan Guy

Director, Mining Research

T +44-207-907-8500

E jonathan.guy@hannam.partners

Roger Bell

Managing Director, Research

T +44-207-907-8534

E rb@hannam.partners

Oscar Norris

Research Analyst

T +44-207-907-8536

E on@hannam.partners

Jay Ashfield

Director, Mining Sales

T +44-207-907-2022

E ja@hannam.partners

H&P Advisory Ltd
7-10 Chandos Street
London W1G 9DQ

Disclaimer

This Document has been prepared by H&P Advisory Limited (“H&P”), which is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667) and is incorporated in England & Wales with no. 11120795. The Document is protected by international copyright laws and may not be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed (in whole or in part) without H&P’s prior written permission.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction where such an offer or solicitation would be illegal, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document, or any other written or oral information made available in connection with it, be considered as investment advice or as a sufficient basis on which to make investment decisions. This Document does not constitute a personal recommendation and, if appropriate, you should seek professional advice, including tax advice, before making investments decisions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources such as credit rating agencies) and has not been independently verified. The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

Marketing Communication

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority (“FCA Rules”). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

Statements Relating to Performance

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P’s own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs, or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. Past performance cannot be relied on as a guide to future performance.

Distribution Restrictions

This document is directed only at persons who: (i) are Qualified Investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, (as amended); and (ii) have professional experience in matters relating to investments who fall within the definition of “Investment Professionals” contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “Order”) or are persons falling within Article 49(2)(a) to (d) (High Net Worth Companies, Unincorporated Associations, etc.) of the Order, or fall within another exemption to the Order (all such persons referred to in (i) and (ii) above together being referred to as “Relevant Persons”). This Document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

Valuation Assumptions/Risks

Please note our valuation estimates provide an assessment of the value of the issuer at a specific point in time, based on public information as well as assumptions and forecasts made by H&P, which are subject to change at any time. It should be noted that the prices of listed equities often deviate significantly from assessments of their fundamental value. Our valuation estimates should not be interpreted as a prediction of the price at which the issuer’s shares will trade in future.

Company/Issuer Disclosures

H&P may from time to time have a broking, corporate finance advisory, or other relationship with a company which is the subject of or referred to in the Document.