

Bushveld Minerals Ltd

("Bushveld" or the "Company")

Conditional Purchase Agreement signed with Evraz for Vametco

Bushveld Minerals Limited (AIM: BMN), a diversified mineral development company with a portfolio of vanadium, titanium, iron ore, tin and coal assets in Africa is pleased to announce that its wholly owned subsidiary, Bushveld Vametco Limited ("BVL"), has signed a Share Purchase Agreement ("SPA") with Evraz Group S.A. ("Evraz") for the conditional purchase of its 78.8 per cent economic interest in Strategic Minerals Corporation ("SMC"), which owns the producing Vametco vanadium mine and plant in South Africa.

Acquisition Highlights

- The acquisition is for a sum of US\$17.2 million and will be executed in two tranches of US\$4.7 million and US\$12.5 million respectively;
- The transformational acquisition achieves Bushveld's stated strategy to develop a significant, vertically integrated vanadium platform and accelerates Bushveld's path to production by several years;
- The consideration payable is substantially less than the cost of a greenfield mine and plant of the same capacity;
- Vametco Alloys is a high quality, low cost producer with a patented vanadium product and a global vanadium customer base;
- The acquisition is aligned with the Company's aspirations in the global energy storage space by providing capacity for potential electrolyte manufacturing; and
- The acquisition is conditional, inter alia, on funding, shareholder approval and receipt of certain regulatory approvals.

Vametco Alloys Highlights

Vametco Alloys is situated 8 km to the Northeast of Brits, in the North West Province of the Republic of South Africa, and is owned by SMC through its 75 per cent shareholding in South African domiciled Vametco Holdings (Pty) Ltd ("Vametco Holdings"). Vametco Alloys is a 100 per cent subsidiary of Vametco Holdings. Key highlights of the Vametco operations include:

- Mining right for vanadium and other associated minerals over Portion 1 of the farm Uitvalgrond 431 JQ and Portion 1 of the farm Krokodilwaal 426 JQ in Brits, where it operates an open pit mine supplying ore to its vanadium processing plant located on the same properties;
 - Ore Reserves of 27Mt (JORC) with some of the highest in-magnetite vanadium pentoxide (V_2O_5) grades in the world, averaging of 2.55 per cent vanadium pentoxide in magnetite. The Ore Reserves are sufficient to support the operations for 24 years at current production levels;
 - Mineral Resources in excess of 135Mt (JORC) with average vanadium pentoxide (V_2O_5) grades of 2.10 per cent vanadium pentoxide in magnetite,
 - Ore Reserves and Resources based on the April 2016 completed Competent Person's Report (VBKom), with scope to increase the reserve base by targeted exploration of the inferred resources;
 - Current plant annual capacity of 2,750 metric tonnes vanadium in the form of Nitrovan and MVO and, in 2015, Vametco Alloys produced 2,419 tonnes of vanadium from its own magnetite concentrate production in the form of vanadium nitride (Nitrovan, a patented vanadium product used in the steel industry) and vanadium oxide ("MVO" or V_2O_3);
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- Scope to expand own production capacity from 2,750 to 3,340 tonnes Vanadium per year through targeted de-bottlenecking interventions at limited capital expenditure;
- An established leadership team with extensive experience in vanadium processing, having collectively worked on all vanadium processing plants in South Africa. The management team will be retained in the business post the transaction;
- One of the cheapest primary producers of vanadium in the world: the 2015 all-in cash cost of production was US\$17.33 per kilogram of Vanadium (which represents all operational cash cost including general, administration and logistics costs and State royalties);
- Profitable operations, even in a constrained economic environment with 2015 revenues and operating profits of ZAR629 million and ZAR 26,724 respectively
- Adjacent to Bushveld's Brits Vanadium Project, which is the continuation of the strike of the Vametco mine's deposit with similar vanadium grades to the mine. The deposit, which contains outcropping mineralisation, offers an extension of the life of operations and presents cheaper near-surface ore for the Vametco processing plant;
- Owned as to 25 per cent by Black Economic Empowerment ("BEE") shareholders, with provisions to increase this to 26%; and
- Employs 473 people.

Fortune Mojapelo, CEO of Bushveld Minerals, said, *"The acquisition price of US\$17.2m is, we believe, attractive for a robust operating asset and is less than 10 per cent of the replacement value. The phased structure breaks this transaction into bite-sizes that are desirable for a company of our size, even more so in an environment of improving vanadium prices."*

"In addition to its vanadium nitride product, for which demand is strong in the steel industry, Vametco also produces a Vanadium (III) Oxide product that is preferable in respect of environmental consideration (relative to vanadium pentoxide) and more importantly is also more suited to downstream vanadium chemicals production, which is aligned with our aspirations for local electrolyte manufacturing for the vanadium flow battery energy storage industry."

"Vametco is a high quality, low cost operation with a strong management team that combines extensive experience in primary vanadium production. We look forward to complementing this team with our extensive geological expertise and experience. With this acquisition, we make another stride in fulfilling our vision of becoming the most global integrated low cost primary vanadium platform and delivering value to shareholders."

Acquisition terms

The signing of the SPA follows the exclusivity agreement signed with Evraz, announced on 22 April 2016, in respect of the potential acquisition of Evraz's 78.8% economic interest (the "Acquisition Interest") in Strategic Minerals Corporation ("SMC"), a holding company for a group of companies (the "Group") which owns the producing Vametco vanadium mine and plant in South Africa ("Vametco Alloys") (the "Acquisition").

SMC's capital structure comprises classes A, B and C shares.

- 97,047 Class A shares issued, all held by Evraz. Class A shares earn normal dividend distributions but have no voting rights;
- 100 Class B shares issued, 75 of which are held by Evraz (with 25 held by Sojitz Corporation, a minority co-investor in SMC). Class B shares are not eligible for dividends but have full voting rights; and
- 26,167 Class C shares issued, all held by Sojitz Corporation. Class C shares are eligible for dividend distributions but have no voting rights.

BVL will conditionally acquire the Acquisition Interest comprising all of Evraz's shareholding in SMC in two tranches, together with a potential additional earn out payment, as follows:

- 1) Tranche 1: an initial 23.0 per cent economic interest in SMC (being 30 per cent of the A class shares in issue, and 24 per cent of the B class shares in issue) for a cash consideration of US\$4,682,073 payable by 17 June 2016, as follows:
 - US\$500,000 offset against the exclusivity fee already paid (as announced on 22 April 2016);

- US\$500,000 offset against a further fee to be paid to Evraz and which will be retained, together with the exclusivity fee already paid, by Evraz should Tranche 1 not complete by 17 June 2016; and
 - US\$3,682,073 by 17 June 2016.
- 2) Tranche 2: a further 55.8 per cent economic interest in SMC (being the balance of the class A shares in issue and 51 per cent of the class B Shares in issue) for a cash consideration of US\$12,524,836 conditional on, *inter alia*:
- a) waiver or lapse of SMC's and the co-investor's pre-emption rights to acquire Evraz's Tranche 2 interests;
 - b) South African competition commission consent;
 - c) Department of Mineral Resources of the Government of the Republic of South Africa consent
 - d) BVL acceding to a shareholder agreement with the co-investor in relation to the class B shares;
 - e) Bushveld shareholder approval;
 - f) readmission of the enlarged group to trading on AIM; and
 - g) the long stop date for completion of Tranche 2 of 12 months from completion of Tranche 1 (with the ability to extend with consent for a further six months).
- 3) Earn out: an annual earn out payment following completion of Tranche 2, based upon the vanadium price breaching an agreed minimum threshold price, is potentially payable between 2018 and 2025 up to an annual maximum amount of US\$1,500,000 and a cumulative maximum amount of US\$5,000,000, in 2016 money terms.

The consideration to be paid by Bushveld to Evraz is subject to both a net debt and a normalised working capital adjustment (pro rata to the relevant Tranche), based on the difference between an unaudited group balance sheet as at 31 December 2015 and the final audited group accounts as at the same date. Evraz has also agreed to adjust the consideration if SMC has made certain payments to the Evraz group prior to 31 December 2015. Bushveld has guaranteed the obligations of BVL under the SPA.

The acquisition of both Tranche 1 and Tranche 2 remain subject, *inter alia*, to funding. Bushveld is at an advanced stage in negotiations with funding partners with regard to a placing of new shares in Bushveld and/ or co-investment in BVL, and expects to provide further updates in the near future.

The parties have agreed to a detailed set of entrenched provisions/ minority protections for the intervening period between completion of Tranche 1 and Tranche 2 of the transaction. These include the right of appointment of a director to each of SMC, Vametco Holdings (Pty) Ltd and Vametco Alloys (Pty) Ltd, and the right of veto on certain transactions/ activities. As a shareholder in SMC, BVL will also accede to the current SMC class B shareholders agreement which will give it pre-emption rights on transfers of SMC class B shares.

All marketing and off-take contracts between the SMC group and the Evraz group will either be terminated or novated to the Bushveld group or its nominees prior to completion of the Tranche 2. Should completion of the second tranche not occur, Evraz will have drag rights in relation to Bushveld's Tranche 1 shares in SMC.

If Bushveld does not complete the acquisition of Tranche 2 upon satisfaction of the relevant conditions, it shall be liable to Evraz for a further payment of US\$500,000 as a break fee. If Evraz does not complete the transaction upon satisfaction of the relevant conditions, it shall be liable to pay Bushveld an amount of US\$1,500,000.

The timescale for receipt of the regulatory approvals is outside the control of both Bushveld and Evraz, and may take several months. Updates will be provided as appropriate.

The completion of Tranche 1 of the Acquisition requires neither shareholder nor regulatory approval. However, if fully funded by Bushveld the completion of Tranche 2 would constitute a reverse takeover under the AIM Rules and, in addition to the regulatory approvals noted above, would be subject to the approval of Bushveld's shareholders at a general meeting. Bushveld intends to issue an admission document setting out detailed information on the Bushveld group as enlarged by the Acquisition as soon as practicable, pending which its shares will remain suspended from trading on AIM. The admission document will include notice of a general meeting at which Bushveld's shareholders will be asked to approve the Tranche 2 acquisition subject to receipt of the regulatory approvals. It is currently anticipated that an admission document will be published by 17 June 2016.

Analyst conference call:

Bushveld Minerals will host an analyst conference call today, 9 May 2016, at 11:00 BST. Participants can access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call.

From UK (toll free): 08082370030

UK Toll Number: 02031394830

Participant PIN code: 99053726#

BRR Media Interview Link

Please find below a link to an interview with BRR Media on this announcement.

<http://brrmedia.co.uk/event/141933>

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