



# Resources Stocks Down Under

🗨️ *There is no such thing as a quantum leap. There is only dogged persistence.* 🗨️

- James Dyson (b. 1947), founder of Dyson

**VANADIUM RESOURCES**

Investors get the drift

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Stocks Down Under rating: ★★☆☆

**ASX: VR8**  
**Market cap: A\$73.3M**

**52-week range: A\$0.046 / A\$0.17**  
**Share price: A\$0.155**

The times have been good lately for Element No. 23 and that, in turn, has lifted the profile of Vanadium Resources, developer of the Steelpoortdrift Vanadium Project in South Africa. This project, which features some of the highest vanadium grades in the world, is worth US\$884m to Vanadium Resources on last year's Preliminary Feasibility Study.

## Share price chart



Source: Tradingview

At Stocks Down Under we've become quite excited about vanadium in 2022. We provided some background on the commodity in [our 24 March 2022 article](#) on Australian Vanadium (ASX: AVL). In today's article we look at one of the other emerging ASX-listed players, Vanadium Resources, which until recently laboured under what we call the 'South Africa discount', but now has a shot at shaking this off.

## Glencore's loss, VR8's gain

Vanadium Resources' potential company-maker is the Steelpoortdrift Vanadium Project. Steelpoort is a small town in Limpopo Province of north-eastern South Africa on a river of the same name not far from Limpopo's border with Mpumalanga Province. They don't make steel in Steelpoort ('steel' in Afrikaans is the verb to 'steal', but they do mine chrome and platinum in the neighbourhood. And in the late 1950s South Africa's first modern vanadium mine, called Kennedy's Vale, was established here.

The Bushveld Igneous Complex that centres on Pretoria and stretches this far north is best known for its platinum largesse, but it's also very good for high grade vanadium. In this Eastern Limb of the Bushveld there was Kennedy's Vale, and another mine about 66 km south called Mapochs. And then there was Steelpoortdrift, 30 km southwest of the town and named after a farm that in turn took its name from a fork in the river. The vanadium here was discovered in 1997 by Vantech, a subsidiary of Xstrata, now Glencore (LSE: GLEN), which had inherited Kennedy's Vale. The intention was to have Steelpoortdrift replace Kennedy's Vale, but Xstrata

decided to get out of South African vanadium altogether when Kennedy's Vale was exhausted in 2004. Glencore's ultimate loss, but a potentially significant gain for Vanadium Resources, which acquired the deposit in 2018 back when it was Tando Resources.

## **A really big deposit**

What Vanadium Resources has now is one of the largest undeveloped vanadium deposits in the world, with a granted mining license and all the local infrastructure you'd need to support the mine. For size, we're talking a JORC compliant global resource, last estimated in April 2020, of 662 million tonnes grading 0.77% vanadium pentoxide (V2O5). That dwarfs Australian Vanadium's Gabanintha deposit, which is a "mere" 239 million tonnes at 0.73% V2O5. And as for grade, at Steelpoortdrift, just using the high-grade material gets you 188 million tonnes at 1.23% V2O5.

No wonder that when the company put together a Scoping Study in September 2020, it got a US\$401m NPV pre-tax using an 8% discount rate. The assumption back then was that Steelpoortdrift would produce around 20.8 million pounds a year for 25 years at a cost of US\$3.07 a pound and sell at US\$6.95 a pound. The production cost estimate was that low because the Steelpoortdrift ore is amenable to conventional 'salt roast leach'. That's the standard way to pull vanadium out of titaniferous magnetite ores where the salt is sodium salt and the only other significant chemical needed is ammonium chloride, plus some calcining material, to get high purity V2O5 flake.

By June 2021 Vanadium Resources had numbers a heck of a lot bigger than 2020. The production cost was left virtually unchanged at US\$3.08 a pound, but the selling price was bumped up to US\$9.03 a pound and, importantly, Vanadium Resources was now going after 39 million pounds a year for 25 years, The pre-production capex was US\$200m and another US\$147m in expansion capex (from cash flow) had been modelled, but now the NPV8 was US\$1.2bn, post-tax, and the IRR was a healthy 45%. Vanadium Resources' 74% of these riches – the other 26% being attributable to the requisite Black Economic Empowerment partner – was US\$884m. That's A\$1.19bn at the current exchange rate. We probably don't have to tell you that vanadium was US\$28 a pound at the peak of the 2018 bull run and is now above US\$11 a pound.

## **The South Africa discount**

An October 2021 placement at 10.4 cents a share to South Africa's Raubex Group (JSE: RBX), an infrastructure development and construction materials company, raised A\$4.6m to fund the Steelpoortdrift Definitive Feasibility Study. Vanadium Resources reckons it can get this done by the middle of the current year, or thereabouts, and then it's on to project financing and a Final Investment Decision. Potentially the first V2O5 flakes can be shipping by 2024 if all goes smoothly.

The biggest risk for Vanadium Resources right now isn't technical or price, but the perception that South Africa is no longer a great place for miners to do business. We argue that perception and reality are two separate things. The ability of other ASX-listed companies, like Kinetiko (ASX: KKO), Mineral Commodities (ASX: RC) and West Wits Mining (ASX: WWI), to get things done in South Africa suggests that the South Africa discount should not be as wide as it is.

And remember, heavyweights such as the aforementioned Glencore, Sibanye-Stillwater (JSE: SSW) and Anglo American (LSE: AAL) still operate very successfully in South Africa without problems. For investors who like the great economics of vanadium and Steelpoortdrift, and are comfortable with the location, Vanadium Resources is four stars.

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