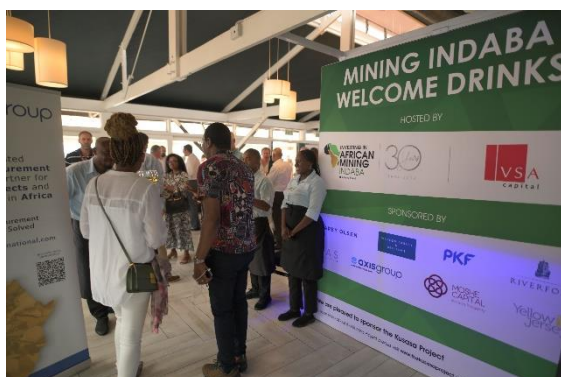


Dispatch from South Africa and Mining Indaba - 2024



Our Dear leader is back again in South Africa for the African Mining Indaba and as usual taking Andrew Raca (Raks) and Ollie O'Donnell. He believes he has now attended 16 times and so is a rather old hand to this event and he suspects that this year maybe like most other years where half of London turns up to attend many parties and claim they are winning new business. The 'Renowned Sunday Night Party' was an unrivaled success with around 600 guests.



Despite this experience, Andrew was caught out by a light fingered thief while sitting in a taxi at the traffic lights so if you haven't been able to get hold of him or are wondering why he didn't turn up to your meeting, now you know why!

Andrew wasn't successful at Dry January and so is now trying Fone Free February, the locals are saying "welcome to South Africa where we make life relaxing by removing modern day distractions that stress you out - like mobile phones!"

Very few changes to the itinerary this year with a few days in Jo'burg first seeing various clients and then down to Cape Town to get the VSA Trandem out again.



This time last year the mood was optimistic, and everyone was hoping for a good 2023 and better than 2022. Well, that didn't quite happen, did it? Markets got harder with liquidity completely drying up. Most commodity prices fell except for uranium and gold. 2023 was an annus horribulus for UK Domestic brokers in general and consolidation has been the theme with Finncap and Cenkos merging followed by Panmure and Liberum and of course Deutsch Bank acquiring Numis. Rumours and whispers were apparently swirling at late night parties, but we will leave that to people to contact our Dear Leader directly if they want to know what he is hearing and discussing.

Andrew is the host/Chairman for the Africa Mining Indaba investor day at the CTICC Pioneers event and he will be introducing the event with a short talk on the issues of funding junior mining. Without the detailed notes which Andrew had obviously carefully prepared in advance that were saved on his now missing phone this could be a very short summary (i.e. almost impossible).

Funding through the quoted equity markets is almost impossible due to the massive de-equitization that has taken place over the last 20 years. For the mining sector this means companies have to look for alternative capital sources and particularly in battery metals we are seeing upstream and downstream coming together to build an integrated value chain which also has the benefit of reducing the impact of commodity price volatility. The last 12 months have been a pretty torrid time for lithium investors as the price collapsed when they thought they were investing in a growth space due to battery growth what they missed were so many other factors that actually drive commodity prices and that where there is a "spike" there is nearly always a "correction".

The slow down in Chinese construction has had a huge impact on certain commodities. We are also seeing commodities that become too expensive or mined in jurisdictions that have bad ESG simply being engineered out, such as cobalt. Another favourite example for Andrew is vanadium which had a dramatic spike in 2019 to over \$30/lb but is now back to a more normalised level of \$5/lb but investors should be aware that China has large stockpiles and much lower demand due to significant drop in steel demand and that new vanadium sources are being created such as spent catalysts in Saudi Arabia and fly ash in India. So, despite VSA expecting a huge growth in the VFB market (led by Invinity Energy Systems IES.L) a repeat of 2019 looks unlikely but this again leads back to the solution of vertical integration between miners and manufacturers to remove the price volatility concern.

The conference itself is just part of what Our Dear leader and his team are involved in. There is the traditional walk up table mountain and the "Big Party" on the Sunday. On the Saturday Andrew attended the Cape Wine Auction charity event held at the Muratie Wine Estate with the aim of raising money for education in the South African Winelands which includes the Kusasa Project. This year they are hoping to raise 10mn Rand and it is regarded as one of the most prestigious events in the Cape Area. Yes, we know what you are wondering, how did Andrew get invited!



VSA Capital also now owns 19.8% of K2 Spice which owns 100% of Dynamic Intertrade a spice processor based by Cape Town Airport. Andrew is pleased to report that 2023 was a good year for the business and a big turnaround and recovery has taken place and so it now is healthily profitable and with a growth trajectory. This isn't a core business for an investment bank and so fair to say that Andrew and the other shareholders are looking at all options as to where to take the business especially as there appears to be a very good roll up opportunity in the industry.



Finally, a slight change to last day which is always a visit to the Kusasa Project to present a cheque to the school. The school visit still took place but afterwards the group went to Banhoek Chilli Oil Company outside Stellenbosch to see the operation and also to try the product on a pizza lunch at their own outdoor pizzeria. Fair to say that the chilli oil went down extremely well, but hard not to when sitting in the sunshine in South Africa! VSA has recently raised money for Banhoek Chilli Oil to help its expansion into the UK and Europe. Word is that it is already a hot seller in Cornwall!



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