Vedanta – THL Zinc Valuation

Budgets blow out, labor frustration grows, timelines collapse. Vedanta keeps investors in the dark at Black Mountain Mining.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 9

August 22, 2025 – We have previously highlighted valuation concerns in Vedanta Limited's (VEDL) International Zinc operations, with earlier reports detailing the operational failures at the Skorpion Complex in Namibia and Black Mountain Mine (BMM) in South Africa. Those reports are available at:

https://viceroyresearch.org/vedanta-resources-research/

This report shifts focus to the financial reality of the THL Group, examining THL Zinc Limited and its subsidiaries to assess the depth and causes of its distress and the implications for VEDL's promoter, Vedanta Resources Limited (VRL).

We believe the International Zinc segment carries a $783m unrecognized impairment across BMM and Skorpion.

Note: For clarity, we will refer to THL Zinc Limited and its subsidiaries as the "THL Group"

- The THL Group has raised $600m in equity and $782m of debt since FY23.
- This is almost 3x the amount needed to complete just the $466m Gamsberg Phase 2 project, and more than double the combined cost of Gamsberg phase 2, the $200m Skorpion smelter conversion, and the $37m Gamsberg Magnetite plant.
- Instead of being invested, most of the capital was siphoned upstream through the redemption of VEDL's OCRPS. These notes were originally issued for THL Zinc Ventures to finance the Skorpion acquisition. In effect, VEDL has redeemed its own paper linked to Skorpion's purchase financing, even as Skorpion itself collapses into insolvency.
- As a result, every major project remains stalled:
  - Gamsberg Phase 2 has been delayed for 4 years and is still only 68.5% completed.
  - The Skorpion conversion project has not begun, nor is it technically or operationally feasible.
  - The Magnetite plant is 10 years behind schedule.
- The THL Group is more than fully encumbered. The only asset of value, BMM, is double pledged to its own lenders and those of THL Zinc Limited.
- The THL Group has approximately $70m cash in hand, mostly at BMM. This can support ~6 months of BMM FCF losses.

THL Zinc and its subsidiaries are fully encumbered and effectively out of cash, other than a residual ~$21m facility available from VEDL. To avoid recognizing material impairments, VEDL must begin honestly funding its International Zinc projects, despite their delays, cost overruns, and lack of economic viability. VEDL has neither the capacity nor willingness to do so.

The THL Group

The THL Group is comprised of THL Zinc Ventures Limited and its subsidiaries. The only assets of note in the segment are the Black Mountain Mine in South Africa and the now-defunct Skorpion Mine and Refinery in Namibia.

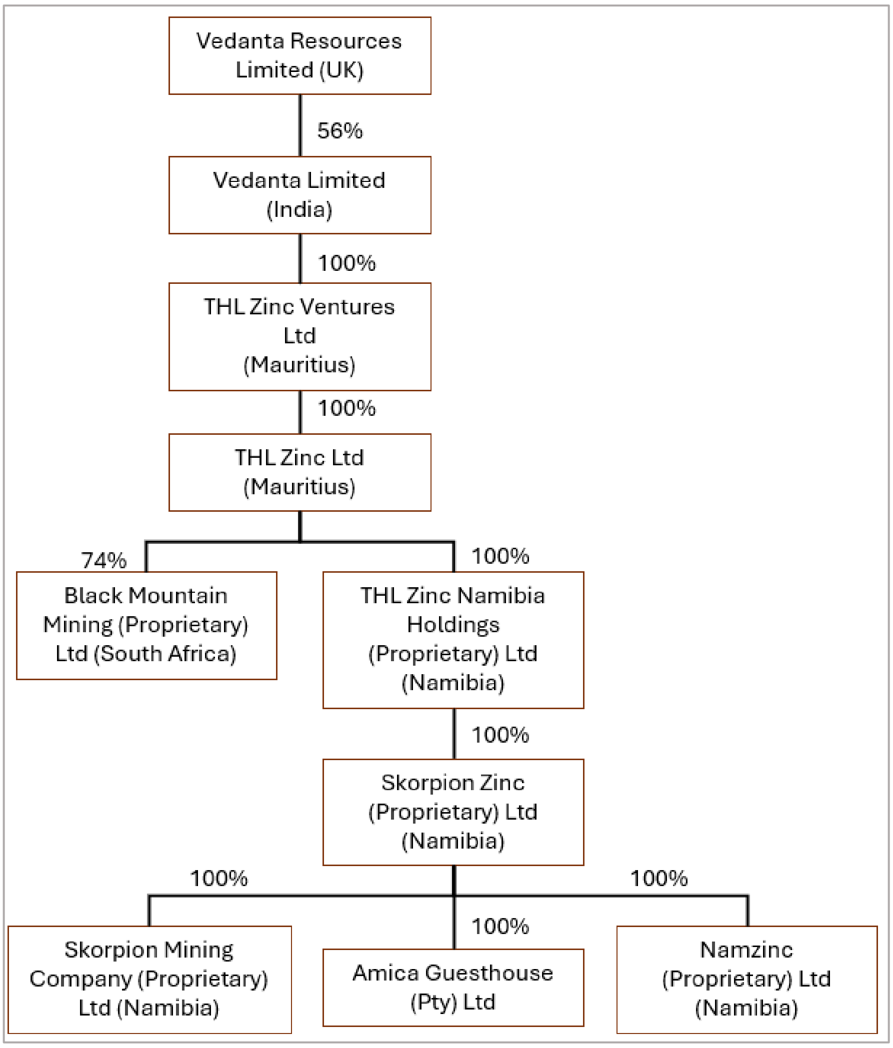

Figure 1 – THL Zinc Vertical Ownership Structure

Following the Money

VEDL, via THL Zinc Ventures, has not made net investments in either Skorpion or Black Mountain. Instead, the capital raised against the segment's African assets has been siphoned to VEDL. The mechanism is simple:

1. THL Zinc Ventures raises debt secured against their holdings in BMM or Skorpion.
2. The funds are upstreamed to VEDL to support unsustainable dividends, bridge liquidity shortfalls of pay brand fees.
3. VEDL the channels cash back to THL Zinc as supposed "investments" which in reality are used to repay THL Zinc Ventures' lenders.
4. Deprived of capital, BMM and Skorpion either do not continue projects or resort to capitalizing operating expenses.

Almost all debt proceeds raised by the THL Group in the past 2 years have been remitted to VEDL, and all equity proceeds have gone toward repaying that same debt.

This structure can be seen in THL Zinc Ventures' FY24 and FY25 financing operations.

1. Sometime prior to FY15, THL Zinc Ventures issued $700m in Optionally Convertible Redeemable Preference Shares (OCRPS) to VEDL. These accrued interest at 0.25% though this has never been settled in cash.

> The Company has issued 7 million, 0.25% optionally convertible redeemable preference shares ("OCRPS") of USD 1 each with a premium of USD 99 each to Vedanta Limited, the immediate holding company, incorporated in India pursuant to a board resolution dated 3 December 2010.

Figure 2 – THL Zinc Ventures Limited FY24 Annual Report

2. In FY24, THL Zinc Ventures took out a $900m loan from Oaktree secured against BMM and Skorpion's inflated valuations from offshore lenders, under the guise of capital expansion. This loan accrued interest at 12% plus a 1% per annum "running fee", plus a 1.3% upfront fee.

> During the year ended 31 March 2024, the Company executed a secured loan facility agreement with Hope XI Investments PTE. Ltd. for a facility amount of USD 900,000,000 with an interest rate of 12 % p.a. along with running fee of 1% p.a. and an upfront fee of 1.3% on loan value. The loan is repayable as USD 180,000,000 in May 2025, USD 270,000,000 in November 2025 and USD 450,000,000 in May 2026.
>
> As at 31 March 2024, the principal loan amount outstanding under this facility was USD 900,000,000 (2023: NIL) along with accrued interest of USD 10,500,000 (2023: NIL). The outstanding issue expenses (upfront fee) and outstanding running fee under this facility as at 31 March 2024 was **USD 8,166,998** (2023: NIL) and **USD 875,000** (2023: NIL) respectively.

Figure 3 – THL Zinc Ventures Limited FY25 Annual Report

3. VEDL then *redeemed* the THL Zinc Ventures OCRPS for the full $700m, which THL Zinc Ventures met with funds from the Oaktree loan.

				(Amount in USD)
Issued to	**No. of OCRPS of USD 1 each and premium of USD 99**		**Amount of liability**	
	As at 31 March 2024	As at 31 March 2023	**As at 31 March 2024**	As at 31 March 2023
Vedanta Limited	-	7,000,000	-	700,000,000
	-	7,000,000	-	700,000,000

The Company has issued 7 million, 0.25% optionally convertible redeemable preference shares ("OCRPS") of USD 1 each with a premium of USD 99 each to Vedanta Limited, the immediate holding company, incorporated in India pursuant to a board resolution dated 3 December 2010.

During the current year, the entire 7 million OCRPS were redeemed and the outstanding balance as on 31 March 2024 is Nil (2023: USD 7,000,000)

Figure 4 – THL Zinc Ventures Limited FY24 Annual Report

4. THL Zinc Ventures' debt burden left it on the brink of insolvency. In FY25:
    a. VEDL re-invested $600m in new shares in THL Zinc Ventures.
    b. VEDL issued THL Zinc Ventures three loans amounting to ~$182m (~$161m drawn), at 12-13.75% rates[1].

> During the year 2023-24, the Company executed an unsecured loan facility agreement with Monte Cello BV, a group company for a facility amount of USD 23,884,513 at an interest rate of 13.25% p.a. repayable in November 2026. As at 31 March 2025, the principal amount of loan outstanding under this facility was **USD 23,884,513** (31 March 2024: USD 23,884,513) along with accrued interest of **USD 4,351,463** (31 March 2024: USD 1,186,763).
>
> The Company has executed an additional unsecured loan facility agreement with Monte Cello BV for an amount of USD 8,139,000 at an interest rate of 13.25% p.a. repayable in November 2026. As at 31 March 2025, the principal amount of loan outstanding under this facility was **USD 8,139,000** (31 March 2024: USD 8,139,000) and accrued interest of **USD 1,464,849** (31 March 2024: USD 386,428)

> During the year ended 31 March 2024, the Company executed an unsecured loan facility agreement with Vedanta Limited, the immediate holding company for facility value of USD 150,000,000 at an interest rate of 12% p.a. repayable in November 2027, out of which, the Company has drawn an amount of USD 35,000,000 and USD 94,000,000 as on 31 March 2024 and 31 March 2025, respectively. As at 31 March 2025, the principal loan amount outstanding under this facility was **USD 129,000,000** (31 March 2024: USD 35,000,000) and accrued interest of **USD 11,505,000** (31 March 2024: USD 455,000).

Figure 5 – THL Zinc Ventures Limited FY24 Annual Report

    c. THL Zinc Ventures took a $350m loan from Citigroup at 9.60%.

> During the year ended 31 March 2025, the Company executed a secured loan facility agreement with Citicorp International Limited for a facility amount of USD 350,000,000 with an interest rate of 9.6%.
>
> As at 31 March 2025, the principal loan amount outstanding under this facility is USD 350,000,000. Loan amount shall be repaid in full after 2 years.

Figure 6 – THL Zinc Ventures Limited FY24 Annual Report

[1] We presume this rate also applies to accrued interest

5. Instead of using these funds to stabilize its position or fund projects, THL Zinc Ventures used them to repay the Oaktree loan.

Cash flows from financing activities			
Proceeds from issue of share capital		**600,000,000**	-
Proceeds from borrowings		**94,000,000**	975,000,000
Repayment of borrowings		**(550,000,000)**	(8,000,000)
Redemption of OCPRS	17	-	(700,000,000)
Interest paid		**(112,200,000)**	(82,701,631)
Other borrowing cost paid		**(9,746,106)**	(19,223,275)
Net cash generated from financing activities		**22,053,894**	165,075,094

Figure 7 – THL Zinc Ventures Limited FY24 Annual Report

6. Deprived of investment, BMM resorted to a further \$250m loan from ASBA & RMB at SOFR +3.9% to develop its facilities.

Project Finance Facility of \$250 million was secured in August 2024 with the first drawdown in September 2024. The RMB bridge financing and ICICI revolving loans were settled with the first drawdown, and net proceeds from first drawdown of \$103 million was received from RMB. This settlement is included as part of repayments in the reconciliation of interest-bearing loans and borrowings. As at 31 March 2025 \$250 million was drawn down. This loan is a secured and USD denominated loan.

The project finance loan facility of \$250 million was provided by ABSA and RMB on a 7-year term. The loan is repayable quarterly starting from June 2026, and has therefore been classified as a long-term loan as at 31 March 2025. Interest is charged at 3-M SOFR +390bps.
The secured bank loan is subject to the following financial conditions on each measurement date:

- The Senior Debt Service Cover Ratio shall be equal to or greater than 1.4:1. The Senior Debt Service Cover Ratio was 3.43:1 as at 31 March 2025 (31 March 2024: N/A).
- The Total Debt Service Cover Ratio shall be equal to or greater than 1.2:1. The Total Debt Service Cover Ratio was 1.80:1 as at 31 March 2025 (31 March 2024: N/A).
- The Loan Life Cover Ratio shall be equal to or greater than 1.5:1. The Senior Debt Service Cover Ratio was 2.14:1 as at 31 March 2025 (31 March 2024: N/A).
- The Net Debt to EBITDA Ratio shall be equal to or greater than 2.5:1. The Net Debt to EBITDA Ratio was 1.57:1 as at 31 March 2025 (31 March 2024: N/A).
- The Current Ratio shall be after 30 September 2026, equal to or greater than 1.1:1. This is applicable from 30 September 2026.
  The Fixed Assets Cover Ratio shall be equal to or greater than 1.1:1. The Fixed Assets Cover Ratio was 3.43 as at 31 March 2025 (31 March 2024: N/A).
- The liquidity test is passed. The liquidity test was passed as at 31 March 2025 (31 March 2024: N/A).
- All covenants are tested half-yearly, at 30 September and 31 March 2025. The Group has no indication that it will have difficulty complying with these covenants.

The loan is secured by first pari pasu charge based on special notarial bond and general notarial bond to the value of USD 500 Million on Black Mountain (Pty) Ltd; mining rights, movable and immovable assets, share pledges, all bank accounts, insurance policies, and trade receivables of Black Mountain Mining (Pty) Ltd by way of a deed of hypothecation.

Figure 8 – THL Zinc Ventures Limited FY24 Annual Report

As a result of this process, the THL Group is burdened with almost \$800m in debt costing \$76m annually. It is bleeding cash, has no further access to capital outside of VEDL, and has made miniscule progress on capex projects.

THL Debt - FY 2025	*THL Zinc*		
US\$'000s	**Balance**	**Rate**	**Annual Interest**
THL Zinc Ventures - Loan from Citicorp	350,000	9.60%	33,600
THL Zinc Ventures - Loan from Vedanta Limited	129,000	12.00%	15,480
THL Zinc Ventures - Loan from Monte Cello BV	32,024	13.25%	4,243
BMM - Loan from ABSA & RMB	250,000	8.25%	20,625
Accrued interest - VEDL & Monte Cello*	17,362	12%	2,083
THL Group Debt	**778,386**	**9.77%**	**76,032**

Figure 9 – THL Group FY25 Debt

Projects

The THL Group has raised $600m in equity and $882m of debt since FY23. This is almost triple the amount needed to complete the $466m Gamsberg Phase 2 project, and more than double the combined cost of Gamsberg phase 2, the $200m Skorpion smelter conversion, and the $37m Gamsberg Magnetite plant.

Despite this, the THL Group had only $71m cash at the end of FY25 to complete these projects, which are either stalled or dormant.

Phase 2 Gamsberg

As of FY25, BMM's Gamsberg Phase 2 completion has been delayed by another 12 months, with first production now guided for H2 FY26 and full ramp-up in FY27. This places the project more than four years behind schedule. Reported progress stands at 68.5%, up from 52.6%–60% in FY24, but at this rate full completion would slip well beyond 2029[2].

Skorpion Conversion

The Skorpion refinery conversion project is technically and economically unfeasible. It would require a complete rebuild of the plant, new power supply agreements, and the rehiring of an abandoned workforce. There is no viable transport route between BMM and Skorpion, and the site itself has deteriorated into disrepair, with equipment liquidated and infrastructure visibly degraded[3].

Magnetite Project

The Magnetite Project, first announced in 2014 as a twelve-month initiative, remains incomplete more than a decade later. Despite repeated delays and abandoned timelines, VEDL now guides to completion in H2 FY26. Given the track record, this guidance warrants significant skepticism.

VEDL's portrayal of these as growth projects on the verge of completion is just around the corner from completion is intentional misdirection.

The Money Pit

To avoid recognizing material impairments, VEDL must continue funding its International Zinc projects, despite their delays, cost overruns, and lack of economic viability.

- BMM's Gamsberg Phase 2 expansion is more than four years behind schedule and already hundreds of millions of dollars over budget.
- The Skorpion conversion project is technically impossible and economically unjustifiable.
- Vedanta has refused to impair its investments in Skorpion and BMM, even though the capital raised against them was never deployed into productive assets.
- Both BMM and Skorpion are fully pledged to creditors and generate nowhere near enough to cover the THL Group's mounting interest burden.
- The only way Vedanta can avoid admitting these impairments is to continue financing BMM and Skorpion, something it lacks both the willingness and the financial capacity to do.

THL Group had only $71m cash at the end of FY25, sufficient to absorb less than 6 months of FCF losses

THL Group Cash - FY 2025 US$'000s	*THL Zinc* Balance
BMM Cash	46,990
THL Cash	22,575
Skorpion Cash	1,068
Total Cash	**70,632**

Figure 10 – THL Group Cash FY25 Cash Balances

[2] https://viceroyresearch.org/2025/08/18/vedanta-the-black-mountain-mining-blowout/
[3] https://viceroyresearch.org/2025/08/11/vedanta-the-skorpion-mine-smelter/

Below is a valuation of the THL Group's relevant assets: the Black Mountain Mine and Skorpion Complex.

Black Mountain Mining

BMM is carried on VEDL's balance sheet at approximately $1.02b, of which ~$964m is property, plant and equipment. Yet its operating performance has collapsed amid labor disputes and the burden of expensive debt. Returns have eroded further as BMM has been forced to fund its own over-budget expansion, raising serious concerns that expenses are being capitalized to disguise operating losses.

With projects blown far past their budgets and deadlines, we believe BMM either cannot execute the expansion or is misrepresenting its costs.

Free Cash Flow Analysis	*Black Mountain Mining*			
USD $'000s	**2025**	**2024**	**2023**	**2022**
NPBT	**89,984**	**27,181**	**182,060**	**140,580**
Adjustments	36,291	39,078	44,309	65,414
WC changes	(51,770)	141,914	6,947	(5,734)
Taxes paid	(33,590)	(12,824)	(14,312)	-
Cash from operating activities	**40,915**	**195,349**	**219,003**	**200,261**
Less:				
Purchase of PPE & intangibles	(221,346)	(249,979)	(138,534)	(137,712)
Interest paid	(17,778)	(1,178)	(3,741)	(2,645)
Viceroy Estimated FCF	**(198,209)**	**(55,808)**	**76,729**	**59,904**

Figure 11 – BMM Free Cash Flow Analysis

We value BMM at $319m, equivalent to 68.5% of the $466m Gamsberg Phase 2 capex budget. This reflects the reported completion rate, while also accounting for Vedanta's complete lack of transparency around the delays, overruns, and mismanagement that have plagued the expansion.

- Gamsberg Phase 2 is 68.5% completed as on 31 March 2025, with all engineering and FIM material delivered; construction is in progress to complete the project by FY 2025-26

Figure 12 –VEDL FY25 Annual Report

This valuation considers the following, corroborated by our site visits:

- The existing operations cannot be run profitably, especially with the debt burden of a self-funded expansion
- BMM's intangible exploration assets do not hold any value as VEDL cannot commercialize these assets without significant investment
- BMM's WIP cannot be sold in its current state, as the current completion percentage relates to engineering studies and procurement.

Our valuation is a $713m impairment compared to VEDL's FY25 carrying value of $1,023m, representing a 70% decrease. We believe this represents a conservative estimate, considering BMM reports only $16m in restricted cash, which includes rehabilitation costs.

(₹ in Crore)

Carrying amount of non-current assets	As at 31 March 2025	As at 31 March 2024
India	1,27,973	1,20,302
South Africa	8,824	6,802
Namibia	653	661
Taiwan	610	1,161
Other	1,227	1,194
Total	**1,39,287**	**1,30,120**

Figure 13 – VEDL FY25 Annual Report

THL Zinc Namibia Holdings (The Skorpion Complex)[4]

THL Zinc is held on VEDL's balance sheet at ~$80m, including invetory. Our site visit and images show that the Skorpion Complex is a scrapheap. The Company's financials show its main source of revenue is a small lodge in the nearby town.

Operations at the Skorpion Complex ceased in 2020, and the facility has been left without major maintenance or care. The Mine has multiple slope failures, many of which occurred since May 2023. The Refinery has lacked an industrial power source since January 2021.

All revenues since FY23 have been from Amica Guesthouse, a lodge in the nearby town, scrap sales and insurance proceeds. The Amica Guesthouse generated a mere N$7.4m ($415k) in sales in FY25.

16. Revenue

Disaggregation of revenue from contracts with customers

The group's principal activities are mining and producing of special high grade zinc and form part of the other mining and industrial category in the Vedanta Resources Plc group. The group's revenue derives from one significant operation, the production of zinc. All information contained in the statement of profit or loss and other comprehensive income and statement of financial position relate to this activity. Since the mine is under care and maintenance, no revenue was generated from production of Zinc but rather other revenue from Amica.

The group disaggregates revenue from customers as follows:

Sale of goods				
Amica	7,418	19,320	-	-

17. Other operating income

Rental income	144	364	-	-
Proceeds from insurance	14,628	7,428	-	-
Other income	840	249	-	-
	15,612	**8,041**	**-**	**-**

The balance in current year and prior year also includes income from scrap sales.

Figure 14 – THL Zinc Namibia FY25 Revenue Disaggregation

The balance sheet is just as dismal. While the company reported net assets of just N$1,905m ($107m), even this modest sum is misleading:

- N$1,166m ($65m) is comprised of PPE. Our investigation of the site leads us to believe this value is unrecoverable.
- N$253m ($14m) are inventories largely comprised of zinc oxide ore stockpiles the Company cannot refine due to the state of the Skorpion Refinery[5]. This amount is only recoverable by operating Skorpion at a loss.
- N$48m ($3m) is the Refinery Conversion project, which was significantly impaired in FY24 and is now being carried out as a joint venture. We do not believe the Refinery Conversion project will be completed.

Accordingly, we believe that THL Zinc's value is zero, which is generous considering the environmental wasteland that it's winding down will leave behind.

[4] THL Zinc Namibia consolidates all its subsidiaries, unlike THL Zinc which records its stake as an investment.

[5] Zinc oxide ore refineries (SX-EW) are also rare, meaning the ore is unlikely to find buyers in a timely manner.

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We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

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