

Stock Data

Share Price:	0.78p
Market Cap:	£10.4m
Shares in issue:	1,334m
52-week high/low:	1.40p/0.57p

Company Profile

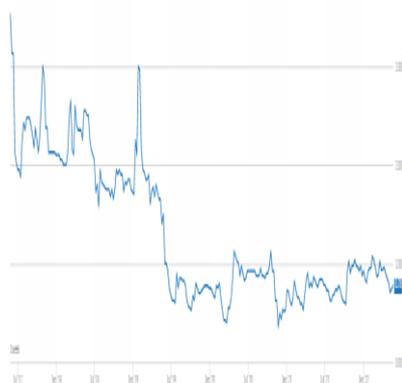
Sector:	Mining
Ticker:	IRON
Exchange:	AIM

Activities

Ironveld plc ('Ironveld' or 'the Group') is the owner of mining rights over approximately 28 kilometres of outcropping Bushveld magnetite with a SAMREC compliant ore resource of some 56 million tons of ore grading 1.12% V2O5, 68.6% Fe2O3 and 14.7% TiO2.

www.ironveld.com/

5-year share price performance



Source: [LSE](https://www.lse.com/)

Past performance is not an indication of future performance.

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Ironveld

Ironveld confirmed on 24 May 2022 its signing of a Heads of Terms to acquire 100% of the share capital of Ferrochrome Furnaces (Pty) Limited ('FCF') (the 'Acquisition'), which will provide the Group with an existing smelting facility. Located reasonably close to the Group's potentially world-class high purity iron, vanadium and titanium project in the Bushveld ('the Project'), this offers potential to substantially de-risk its overall opportunity by significantly accelerating the start of commercial mining and processing, leading directly to early cash generation. With the Board presently considering a number of alternative routes to finance the Acquisition plus associated refurbishment works sufficient to take the Project to the point of first cash generation (altogether in the range of £4m to £5m), there appears to be a high level of confidence that the Transaction can be completed within the agreed three months exclusivity period ('the Exclusivity Period').

Rapid acceleration toward production and cash flow

With existing offtake contracts and marketing agreements already in place with senior market counterparts, along with all necessary environmental and operational permits, the transaction provides Ironveld with the ability to significantly accelerate its path toward production and cash flow at much lower cost than if it were to construct its own new smelter. The funds expected to be raised will cover the asset's total purchase price, plus refurbishment capex (including contingency). With three furnaces projected to come on stream within just 6 to 9 months, this prospectively transformative deal positions the Group to fast-track generation of first revenue just one year or less post acquisition. In providing a scale demonstration platform capable of securing initial production/commercial sales, moreover, it represents just the first of three expansion phases proposed by the Board, which together would be capable of significantly multiplying output from the Project's very large resource.

Financing the Acquisition

In order to minimise any risk of the Acquisition not being completed within the Exclusivity Period (retained until 19 August 2022), Ironveld is now considering a number of alternative routes to finance the transaction. Amongst other things, the Board has received indicative proposals from existing shareholders holding approximately 9.0% of the issued share capital willing to subscribe for their pro rata holding in an alternative equity fundraising of up to £5.0 million at a price of up to 1.25p per new ordinary share plus an offer of alternative loan capital, which together TPI considers could be sufficient to fund the upfront cost of the Acquisition plus the necessary refurbishment/commissioning works to take the Project to first cash generation, while also ensuring that all corporate overheads and costs associated with the new Mining Right application are foreseeably covered.

The £5.6m strategic investment in Ironveld originally proposed by Grosvenor Resources Pty Limited ('Grosvenor') back on 22 October 2021 has been waiting for this deal as Grosvenor's funders required a physical asset and is still the key funding route for the Company. Should Grosvenor fail to complete within the Exclusivity Period the door nevertheless remains open for it to invest on an alternative basis after the acquisition, as and when it secures the necessary funds.

Purchase terms agreed for FCF from sole creditor

FCF owns a former ferrochrome smelter complex that entered Business Rescue in 2019.

The Group's 74%-owned Ironveld Smelting (Pty) Ltd. has agreed terms with the sole creditor to acquire 100% of the asset on the following terms:

- ZAR 980 (approximately £50) for 100% of FCF's share capital;
- ZAR 15 million (approximately £0.75 million) payable upon completion; and
- ZAR 100 million (approximately £5.0 million) over 10 years calculated as a percentage of profits from the smelter, capped at 13.5 per cent per annum.

The Acquisition remains subject to final contract and certain other conditions precedent; Ironveld retains deal exclusivity until 19 August 2022 (the 'Exclusivity Period').

Location of the Project's Mining Area and FCF Smelter

- Ore to be cost effectively trucked c 400km to FCF Facility
- 3 furnaces at 7.5MW throughput requires <4,000tpm mined ore



- FCF footprint = 5.9 Ha
- Land value approximately ZAR 10 million
- Room for expansion if required

Source: Ironveld, Investor Presentation May 2022

Comprehensive due diligence and assessment of FCF's upgrade planning established there to be no environmental issues while local power supply can be sourced from Eskom, the South African electricity public utility, augmented by a 'Capex-free' solar and battery storage solution provided by Enernet, the global distributor of tailored energy solutions. The smelter complex comprises four 2.5 MW Electric Arc Furnaces ('EAFs') and associated converters, of which Ironveld plans to refurbish three during the upgrade works thereby allowing for 7.5 MW capacity, capable of processing approximately 40,000 tonnes of the mine's magnetite ore per annum. The fourth EAF will be held in reserve for future refurbishment, with the potential of increasing total processing capacity or for outsourcing; FCF's refurbishment, which is expected to enable the smelter to generate three separate economic streams of revenue, has been budgeted at ZAR 40 - 65 million (approximately £2.0 - £3.2 million) to provide:

- Production ready smelting plant with 3 furnaces totalling 7.5 MW (with 1 spare furnace ready for future use);
- Short commissioning eliminates construction risk, enabling fast-track to sales of all processed production in 9 to 12 months from acquisition.

While the smelter complex is currently supplied with electricity from the national grid, emphasising its Environmental Social Governance ('ESG') credentials, Ironveld has signed a Letter of Intent ('LOI') with Enernet Global Inc. to build, own, operate and maintain a hybrid power plant using renewable energy (including solar, battery storage and thermal generation that will scale over time to ensure at least 50% of all consumption at each stage), which will provide it with security of power supply on a Capex-free basis. Furthermore, its use in final products, including vanadium redox/other batteries and 3D printing in industries such as transport/renewable energy, are key constituents for markets that make up the expanding green economy.

Mined ore can be cost-effectively trucked the c.400km from the Bushveld complex to FCF facility smelter gate. Following refurbishment of the smelter facility, Ironveld will be able to produce and sell its key products (high purity iron, vanadium in slag and titanium in slag), through its existing offtake contracts or marketing agreements. First sales are anticipated within 12 months

of completion of the Acquisition. In anticipation of completion of the transactions in the coming months Ironveld has entered into Bridge Funding agreements totalling £300,000 (see below).

While providing a foundation for building a larger smelter to scale up production, the acquired site offers only limited space for expansion. The Board's PHASE 2 proposal is for subsequent construction of a larger 15MW furnace as part of a scale-up that is likely to be constructed adjacent to the mine itself.

PHASE 1 - The readymade 7.5MW capacity FCF smelter provides a platform for organic growth via demonstration of initial production and sales;

PHASE 2 - Able to scale the initial project to construct a new 15MW smelter located next to the mining area, trebling production. Capex costs (estimated at c.US\$56 million), lenders subject to being satisfied with PHASE 1 proof of concept ('PoC');

PHASE 3 - Long term objective to add four 75 MW smelters to process the large resource at the Project.

Bridge Funding Agreements

In order to finance the Company's continued low level of operational costs prior to the envisaged completion of the above transactions, Ironveld has entered into loans totalling £300,000 comprising of £260,000 from existing investors (the 'Bridge Loan') and £40,000 from Martin Eales, Chief Executive Officer (the 'Director's Loan').

The Bridge Loan has been arranged on competitive terms for a six-month period. It includes an annualised interest rate of 8% on drawn funds, based on a 1.5% arrangement fee, plus the grant of 13 million warrants exercisable at 1p subject to adjustment to the Placing price of any Placing undertaken during the Bridge Loan Term. Repayment of any funds drawn down plus interest immediately upon receipt of Grosvenor funding or from the proceeds of an alternative source of financing at any time during the Bridge Loan term.

The terms of the Director's Loan mirror those advanced to the Company by Giles Clarke and Nick Harrison signed in December 2021.

FCF production provides route to early cash flow

Ironveld is expected to utilise mining contractors to minimise capital expenditure ('CAPEX') and start-up costs. With high local availability of experienced staff for other ancillary works, the Group's Bushveld project is expected to create a total of 140 new jobs within the first 12 months of operation. Agreements with local trucking contractors are already in place with indicative costs to transport from mine gate to smelter put at less than US\$50/tonne. Total mine establishment and commissioning costs (including all social commitments) are estimated to be up to ZAR 5 million (<US\$320,000).

Based on delivery of 40,000 tonnes of ore per annum (<4,000tpm ROM), the smelter is expected to provide the following approximate quantities of finished products per annum: 20,000 tonnes of high purity iron (price range US\$1,000-US\$1,500/tonne); 190 tonnes of vanadium in slag (price range US\$5,000-US\$5,300/tonne); and 3,800 tonnes of titanium in slag (price range US\$200-\$300/tonne). This equates to an annualised run rate of US\$21.7 million to US\$32.1 million. Given the expected short commissioning and preparation time required, ore stockpiling is likely to commence within 6 weeks.

Sales Contracts, Approved Supplier or Marketing Agreements are already in place for final output of High Purity Iron ('HPI'), HPI Powders, Vanadium Slag offtake and Titanium Slag offtake with a number of senior counterparts and well-known international traders,

Ironveld's High Purity Iron, Vanadium and Titanium project

Ironveld's mining focus is on its high purity iron, vanadium and titanium project located on the northern limb of the Bushveld complex in Limpopo, South Africa. Bushveld is a known metallogenic province covering approx. 66,000km², which hosts various mineral deposits, including platinum group metals, Vanadium, Chrome, Palladium and Rhodium. The Project has the potential

to become a vertically integrated vanadium mining and processing business serving the increasing demand for vanadium in steel alloys and vanadium redox batteries. The Group retains unencumbered rights to:

- 80 million tonnes of magnetite ore - the JORC compliant mineral resources demonstrates that it holds 1.6 billion pounds of Vanadium, the equivalent to four times annual global demand.
- 32 million tons of 99.5% ('High Purity Iron', 'HPI') in situ.
- 9 million tonnes of Titanium.

The Project's 8 April 2013 JORC-compliant mineral resource provided the foundation for a subsequent Definitive Feasibility Study ('DFS') which was published on 23 April 2014. This confirmed its potential to deliver an exceptionally high-grade iron product at 99.5% Fe HPI which typically trades at a premium price in the market. The 56.4Mt ore grading at 1.12% Vanadium Oxide ('V₂O₅') represented almost twice the grade of other Vanadium resources that are currently being mined and processed within the Bushveld Complex. The historic DFS concluded that the Project could potentially deliver annual turnover of £26.4 million along with an EBITDA of £8.1 million based upon the then current costs, forex and metal prices; today's numbers of course would likely be quite significantly higher.

Ironveld plc – Unique, Undeveloped Polymetallic Project in South Africa's Bushveld Complex



Source: Ironveld, Investor Presentation May 2022

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