

Stock Data

Share Price:	0.30p
Market Cap:	£10.68m*
Shares in issue:	3,559.80m*
52-week high/low:	1.14p/0.24p

*Post Placing's First and Second Admissions

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 JORC 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 has conditionally completed a £2.0m (gross) equity fundraising (the 'Placing'), comprising, in aggregate, 666.67m new ordinary shares at a price of 0.3p/share ('the Placing price'). Of this, 280m new shares will be issued under existing authorities with the balance subject to a General Meeting that will be convened in due course. Those participating in the Placing will also be issued with warrants on the basis of 1 for every 2 Placing shares allocated exercisable at 0.5p for a period of two years from the date of the General Meeting.

Net proceeds will be applied solely for the Group's immediate general working capital needs which, given the exceptional pace of recent activity, have increased as a result of the rapid ramp-up of the Group's mining activities, which will shortly be followed by production and sales of its suite of speciality metals. First production from the Rustenburg smelter complex has already been achieved and, with the second and third furnaces now also expected to come on stream by April, full plant capacity looks set to be reached during the middle of this year. Having already surmounted all major technical challenges at Rustenburg, with on-site stockpiling of feedstock commencing some weeks back and sale prices guaranteed through existing offtake agreements, overall project risks appear to have reduced substantially. Today's announcement not only supports expectation that Ironveld will become cash generative within its first full year of production, but also lends further credibility to the Board's ambitious medium to longer-term vision of building a much larger, scaled-up production facility. Taking this on board, TPI has updated its prudent financial model for the project which, based solely on the smelter's first phase of proposed commercial expansion and utilisation only of existing wholly-owned plant, now derives a £30.7m DCF valuation (up from £27.3m previously), which remains almost three-times the Group's post-Placing market capitalisation.

(Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone. Also please note that past performance is not a reliable indicator of future results.)

Fundraising highlights

- Ironveld has undertaken an equity Placing priced at 0.3p/share for total gross proceeds of £2.0m. This comprises a firm placing for £840,000 and a conditional placing of £1.16m;
- The Placing has been completed at a 5.26% premium to the 5-day volume-weighted-average-price ('VWAP') on 22 February 2023 following strong support from existing shareholders;
- Subscribers to the Placing will also be issued with one warrant for every two new ordinary shares allocated, exercisable at 0.5p for a period of two years from the date of the General Meeting;
- The net proceeds of the Placing will be applied to general working capital purposes and acceleration of final works necessary to reach full production capacity at the Rustenburg complex in coming months;

- Directorate participation in the Placing totals £0.38m;
- A General Meeting proposing Resolutions to enable completion of the Placing is due to be convened at 10:00 a.m. on 13 March 2023.

Background to the Fundraising

The pace of activity since Ironveld first gained access to the Rustenburg smelter complex in August 2022 has been quite exceptional. It purchased the operation (subject now only to final closing that the Board and the sole creditor are both confident will conclude the transaction shortly) out of Business Rescue with the consent of its largest creditor. In the meantime, the smelter continues to be operated without interruption, with Ironveld legally benefiting from the proceeds of all product sales. The Ferrochrome Furnaces ('FCF') acquisition cost £750,000 with the creditor retaining 13.5% of future profits for up to 10 years, capped at £5m as a deferred payment. It is understood that the smelter has historically had multiple tens of millions of US\$ invested in it and for insurance purposes has a value of c.£30m, suggesting that the £750,000 upfront cost plus refurbishment fees and capped profits sweep to the vendor presented very good economic value for shareholders.

The complex has four 2.5 MW tilting Electric Arc Furnaces ('EAFs') plus associated buildings and equipment. First production was achieved in early January 2023, with commissioning of three of the remaining furnaces (while the 4th is left in reserve) expected to be completed by April 2023. Remaining comfortably in line with the Board's targets, together these are subject to a £3.2m phased refurbishment programme (£2m allocated for first phase recommissioning and £1.2m thereafter for installation of processing equipment required to transform High Purity Iron ('HPI') output into premium value High Purity Iron Powder ('HPIP') onsite. The plant should then be capable of processing approximately 40,000 tonnes of ore per annum and produce: c.20,000 tons of HPI/HPIP (price range: US\$920-970 per tonne /price range US\$1,300-1,500 per tonne); c.190 tons of vanadium in slag grading 28% V₂O₅ (price range US\$5,000-5,300 per tonne) and; c.3,818 tons of titanium in slag grading 65% TiO₂, (price range US\$200-300 per tonne). This equates to an annualised revenue run rate of US\$27m-32m. Given that estimated ongoing operational expenditure for HPI is US\$500-567 per tonne, along with minimal addition costs for separation of vanadium and titanium in slag production, gross margins in excess of 65% have been projected for the project once steady state has been achieved.

Ironveld proposes to sell its production through existing offtake contracts and marketing agreements. Mining began in December 2022, with ore being stockpiled at the smelter whilst the furnace refurbishment was ongoing. Ironveld intends to use contract mining and trucking contractors to minimise capital expenditure (the smelter is approximately 400km from the Group's Bushveld Complex in Limpopo Province South Africa) which is considered sustainable within current project economics. First sales of HPI and Titanium in slag are expected to take place as planned in Q2 2023, once batch sizes have reached optimum levels. Following acceleration of planned works to the process equipment, in particular the convertor required for separation of vanadium in slag, this third product and its revenue stream should also become available in the coming months.

Full production capacity at the smelter is expected to be reached by the middle of 2023. As production increases to planned levels over the coming months, Ironveld's near-term working capital requirements are expected to spike. In particular, the Board notes that the high diesel costs to power the complex's existing generators are likely to be sustained until the scheduled installation and commissioning of an independent solar hybrid power plant gets underway in Q3 2023, necessitating additional funding to satisfy such calls during the ramp-up of production.

Details of the Placing

The Placing was supported by a range of existing institutional and other investors, being conducted by TPI which acted as sole broker for Ironveld. In total, 666,666,666 Placing Shares are proposed to be allotted and issued pursuant to the Placing, at a Placing price of 0.3p per Placing share to raise gross proceeds of £2.0m. Ironveld currently has limited shareholder authority to issue new ordinary shares for cash on a non-pre-emptive basis. Accordingly, the

Placing is being conducted in two tranches; excluding the First Placing Shares (as detailed below), the Placing shares have been conditionally placed pursuant to a Placing Agreement, as summarised below:

1. First Placing Shares

A total of £0.84m, representing the issue of 280m Placing shares at the Placing price, has been raised using Ironveld's existing share allotment authorities, which were granted at the Group's annual general meeting ('AGM') held on 17 January 2023 (the 'First placing'). Application has been made for the First Placing Shares to be admitted to trading on AIM and it is expected that their admission to AIM will take place on or around 1 March 2023. The First Placing is not conditional on the Second Placing completing.

2. Second Placing Shares

The balance of the Placing, being £1.16m and representing the issuance of c.387m Placing shares is conditional, inter alia, upon the passing of resolutions to be put to Ironveld shareholders at a general meeting to be held on 13 March 2023. Subject to this, the Second Placing Shares will be admitted to trading on AIM, which is expected to take place on or around 15 March 2023.

Directorate Participation in the Placing

Non-Executive Directors including the Chairman, Giles Clarke, and Dr. John Wardle have agreed to subscribe a total of £0.38m cash in the Placing:

Director	Existing Holding	Percentage Holding (%)	Number of Placing Shares	Revised Holding	Percentage of Enlarged Issued Share Capital (%)
G Clarke*	57,221,168	1.98	10,000,000	67,221,168	1.91
J Wardle**	237,046,901	8.19	116,666,666	353,713,567	10.03

*G Clarke's interests in 10,062,470 shares above are through his shareholding in Westleigh Investments Holdings Limited.

**J Wardle's interest in all Ordinary Shares above are through his shareholding in Tracarta Limited.

TPI's updated financial model for Ironveld derives a valuation of £30.7m for the Group

Taking into account the Group's existing available cash resources, the expected net proceeds from the Placing plus anticipated smelter/mining cash flows, Ironveld's Board expects to have sufficient cash resources to fund its operations on an ongoing basis.

Given the exceptional progress being made with the smelter's refurbishment, it is also now clear that TPI's prudent initial valuation of 29 December 2022 underestimated the pace at which the production output is likely to advance as it moves toward a steady state. Accordingly, TPI's model has now been updated to reflect improved FCF processed tonnes anticipated for calendar 2023E, 2024E and 2025E.

Based on the expectation that Ironveld will be able to fulfil the growth strategy as outlined in this report, TPI has extrapolated estimated free cash flow projections based on the Group's rights to an extensive magnetite resource on South Africa's Limpopo Province, along with its successful exploitation of its recently acquired Rustenburg smelter facility. The financial model (detailed overleaf) suggests the Group will generate a positive gross return during the first year (i.e., 2023E) of joint mining and smelting operations, followed by delivery of a positive attributable post-tax profit the following year. TPI's financial model is based on the following assumptions covering exchange rates, mining production, smelting output and sale prices in accordance with existing offtake agreements. Today's updated Discounted Cash Flow ('DCF') model utilises an 8% discount rate along with a 2% terminal growth rate in order to generate a theoretical £30.7m valuation (up from £27.3m previously).

(Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone. Also please note that past performance is not a reliable indicator of future results.)

Ironveld plc – Financial Model Mining, Smelting and Offtake Assumptions

Mining in Limpopo Province and Altona Farm Project Areas				Sales prices assumed (based on existing offtake agreements) US\$			
Steady state smelting ore production (tonnes)		40,000		High Purity Iron/tonne		930	
Mining cost per tonne (ZAR)		1,850		High Purity Iron Powder/tonne		1520	
Transportation price to FCF/tonne (ZAR)		800		Vanadium/tonne		7000	
Sale price to FCF/tonne (ZAR)		2,520		Titanium/tonne		400	
FCF smelting cost/tonne (90% up-time) (ZAR)		6515					

FOREIGN EXCHANGE RATES	GBP:US\$	1.22	GBP:ZAR	21.02	US\$:ZAR	17.18
CORPORATION TAX RATES	South Africa:27%	UK: 19%				

Source: TPI

Ironveld plc – TPI's Updated DCF Summary Valuation Table*

Year to December (US\$)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
	1	2	3	4	5	6	7	8	9	10
DISCOUNTED CASH FLOW MODEL										
Factor	0.92593	0.85734	0.79383	0.73503	0.68058	0.63017	0.58349	0.54027	0.50025	0.46319
Present value by year	-153,766	3,537,910	3,953,468	3,827,224	3,417,742	3,121,326	2,848,068	1,092,764	979,625	875,761
NPV8%	23,500,121									
PV of Residual Cash Flow (2% annualised)	14,887,932									
Net cash as at Dec 2022**	-950,000									
DCF valuation (US\$)	37,438,054									
DCF valuation (£)	30,686,929									

*Note: DCF based on calendar year, rather than Ironveld plc's financial year to June

**Assuming FCF purchase with credit facility

Source: TPI

Ironveld plc – TPI's Updated Financial Model*

Year to December (US\$)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<u>MINING OPERATIONS</u>										
Ore production tonnes	23,000	36,000	41,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Ore sold to FCF tonnes	19,000	33,000	38,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Cost of extraction	2,476,717	3,876,601	4,415,017	4,630,384	4,630,384	4,630,384	4,630,384	4,630,384	4,630,384	4,630,384
Sale price to FCF	2,786,962	4,840,512	5,573,923	5,867,288	5,867,288	5,867,288	5,867,288	5,867,288	5,867,288	5,867,288
SA Tax @27%	-	-	-	-	-	-	-	-333,964	-333,964	-333,964
Mining Gross Cash Flow	310,244	963,912	1,158,906	1,236,903	1,236,903	1,236,903	1,236,903	902,939	902,939	902,939
<u>FCF SMELTING OPERATIONS</u>										
Total processed tonnes by FCF	19,000	33,000	38,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Final production for offtake (tonnes):										
HPI	9,728	11,000	12,667	13,333	13,159	13,159	13,159	13,159	13,159	13,159
HPIP	-	6,193	7,131	7,506	7,506	7,506	7,506	7,506	7,506	7,506
Vanadium slag	85.5	159.5	185.7	193.4	193.4	193.4	193.4	193.4	193.4	193.4
Titanium slag	1,482	900	1,180	1,211	1,211	1,211	1,211	1,211	1,211	1,211
Revenue generated by product:										
HPI	9,047,040	10,230,000	11,780,310	12,399,690	12,237,870	12,237,870	12,237,870	12,237,870	12,237,870	12,237,870
HPIP	0	9,413,360	10,839,120	11,409,120	11,409,120	11,409,120	11,409,120	11,409,120	11,409,120	11,409,120
Vanadium slag	598,500	1,116,500	1,299,900	1,353,800	1,353,800	1,353,800	1,353,800	1,353,800	1,353,800	1,353,800
Titanium slag	592,800	360,000	472,000	484,400	484,400	484,400	484,400	484,400	484,400	484,400
Total FCF Revenues	10,238,340	21,119,860	24,391,330	25,647,010	25,485,190	25,485,190	25,485,190	25,485,190	25,485,190	25,485,190
Direct smelting costs	7,500,000	12,514,261	14,410,361	15,168,801	15,168,801	15,168,801	15,168,801	15,168,801	15,168,801	15,168,801
SA tax @27%	-	-	-	-	-	-	-	-2,785,425	-2,785,425	-2,785,425
FCF Gross Cash Flow	2,738,340	8,605,599	9,980,969	10,478,209	10,316,389	10,316,389	10,316,389	10,316,389	10,316,389	10,316,389
Total Gross Cash Flow	3,048,584	9,569,511	11,139,875	11,715,112	11,553,292	11,553,292	11,553,292	8,433,903	8,433,903	8,433,903
<u>ADMIN. & CENTRAL COSTS</u>										
SA Admin. costs	1,450,000	1,950,000	2,245,455	2,540,909	2,540,909	2,540,909	2,540,909	2,540,909	2,540,909	2,540,909
UK Admin. costs	1,240,000	1,460,000	1,606,000	1,766,600	1,854,930	1,947,677	2,045,060	2,147,313	2,254,679	2,367,413
FCF Creditor payments	583,000	583,000	583,000	583,000	583,000	583,000	583,000	583,000	583,000	583,000
Group Operating Cash Flow	-224,416	5,576,511	6,730,041	7,036,346	6,786,196	6,693,449	6,596,065	3,374,423	3,267,058	3,154,324
Attributable Group pre-tax Cash Flow	-166,067	4,126,618	4,980,231	5,206,896	5,021,785	4,953,152	4,881,088	2,497,073	2,417,623	2,334,200
UK tax @19%	0	0	0	0	0	0	0	-474,443	-459,348	-443,497
Attributable Group post-tax Cash Flow	-166,067	4,126,618	4,980,231	5,206,896	5,021,785	4,953,152	4,881,088	2,022,629	1,958,274	1,890,702

*Note: Financial model based on calendar year, rather than Ironveld plc's financial year to June

Source: TPI

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