

#### Stock Data

Share Price:	0.35p
Market Cap:	£12.46m
Shares in issue:	3,559.80m
52-week high/low:	1.01p/0.24p

#### 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% V<sub>2</sub>O<sub>5</sub>, 68.6% Fe<sub>2</sub>O<sub>3</sub> and 14.7% TiO<sub>2</sub>.

[www.ironveld.com/](http://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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TPI acts as joint broker to Ironveld plc.

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## Ironveld

Ironveld has released its Interim Results for the six months ended 31 December 2022 (the 'Period'). Producing a financial performance very much in line with expectations, this transformative period for the Group saw the acquisition followed by commencement of refurbishment of a smelter facility at Rustenburg ('the smelter') from August 2022. First mining activities at Limpopo on its Bushveld complex deposit/mining right also commenced prior to Period end, with a view to ensuring consistent supply of magnetite ore to the smelter. Having completed work on the first of three furnaces in January, first production from the smelter was seen shortly after, with ramp up to full capacity now expected by mid-2023. With such progress being delivered in line with anticipated schedule, the Group secured £2m (gross) additional funding through an equity placing on 23 February 2023 to provide general working capital during acceleration of final works necessary to reach full production capacity at the smelter complex. This not only reinforces Ironveld's expectation that it will become cash generative within its first full year of production, but also adds further credibility to the Board's ambitious medium to longer-term vision of building a much larger, scaled-up production facility. TPI has prudently modelled the opportunity presented based solely on the smelter's first phase of proposed commercial expansion and utilisation only of existing wholly-owned plant, from which it derives a £30.7m DCF valuation for the Group, which remains over two-and-a-half times the Group's current 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.)

### Operations Highlights for the six months ended 31 December 2022

- A transformative period for the Company saw the acquisition and commencement of refurbishment of the smelter facility at Rustenburg, from August 2022 onwards;
- Acquisition and refurbishment funded by an equity Placing of £4.50 million, which completed in August 2022;
- Ironveld Mining (Pty) Limited ('Ironveld Mining') commenced first mining activities, with ramp-up of extraction scheduled to ensure consistent, volume supply of magnetite ore to the smelter.

### Post-Period end events

- First production from the smelter announced on 10 January 2023;
- Ironveld Mining (Pty) Limited ('Ironveld Mining'), entered into a Joint Venture Agreement ("JVA") with Pace SA (Pty) Limited ("Pace") on 27 January 2023, as equal partners to produce and sell Dense Media Separation ("DMS") grade magnetite;
- An equity Placing to raise gross proceeds of £2.0 million at a price of 0.30p/share was announced on 23 February 2023 and approved by shareholders on 13 March 2023;
- The acquisition of Ferrochrome Furnaces (Pty) Ltd ("FCF") by its subsidiary Ironveld Smelting (Pty) Ltd became unconditional in all respects on 29 March 2023.

## Financial highlights for the six months ended 31 December 2022

Reflecting the return to normalised levels of expenditure compared with H1 FY2021/22, the commencement of operational activities in the Q2 FY2022/23 plus the costs associated with a General Meeting requisitioned by a shareholder on 29 June 2022, resulted in a rise in administrative expenses for the Period, which totalled £581,000 (H1 FY2021/22: £384,000). The basic and diluted net loss per share was 0.02p (H1 FY2021/22: 0.03 loss). Net cash consumed by operating activities amounted to £799,000 for the six months (H1 FY2021/22: £48,000 consumed), leaving cash/cash equivalents of £779,000 (H1 FY2021/22: £24,000), following net equity fundraising proceeds of £4,031,000, along with £2,066,000 used in investing activities plus loan repayment of £403,000. The total number of employees across the Group reflected this rapid expansion in activities, increasing from 9 South Africa based employees as at 30 June 2022 to 130 as at 31 December 2022. There were no borrowings at the period end (30 June 2022: borrowings of £499,000) as all outstanding balances were settled either in cash or by the issue of new shares in August 2022.

## Outlook for the remainder of FY2022/23 and beyond

Ironveld expects to secure its first sales from the smelter in the Q4 FY2022/23, reaching full operational production capacity around the end of the fiscal year. Strong open market demand has been established for each of the Group's three products of high purity iron, vanadium slag and titanium slag, with offtake or marketing agreements from senior counterparts already in place. Delivery of c.44,000 tpa ore (to satisfy full production) can easily be sourced from the Group's mine at Limpopo, with economical extraction and transportation arranged through a small contract mining fleet and simple community-based trucking operations

The smelter's projected annual production assuming 7.5MW of capacity from 3 furnaces and following upgrade of plant for High Purity Iron Powder ('HPIP') is:

- c.20,000 tons of High Purity Iron Powder, price range US\$1,300 - US\$1,500 per tonne;
- c.190 tons of Vanadium in slag grading 28% V<sub>2</sub>O<sub>5</sub>, price range US\$5,000 - US\$5,300 per tonne; and
- c.3,818 tons of Titanium in slag grading 65% TiO<sub>2</sub>, price range US\$200 - US\$300 per tonne.

Based on current market prices, this equates to annualised revenue run rate of US\$27 million to US\$32 million, with estimated operational expenditure for HPI/HPIP production substantially below selling prices whilst the Vanadium and Titanium slag revenues of c.US\$2 million per annum potentially flow straight to bottom line given effective zero additional production cost. In addition, Ironveld Mining will benefit from its joint venture with Pace SA to produce and sell DMS grade magnetite from the mine in mid-2023.

## TPI's financial model for Ironveld derives a current valuation of £30.7 million

Taking into account the Group's available cash resources, including the net proceeds of the £2.0 million Placing announced on 23 February 2023 plus anticipated smelter/mining cash flows, Ironveld's Board expects to have sufficient cash resources to fund its operations on an ongoing basis.

Based on the expectation that Ironveld will be able to fulfil the growth strategy as outlined in this report, TPI 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 Rustenburg smelter facility. The financial model (originally detailed in a TPI Research Update published on 23 February 2023) suggests the Group will generate a positive gross return during the first year (i.e., 2023E) of joint mining and smelting operations, followed by the generation of a positive attributable post-tax profit the following year. TPI's financial model is based on the prudent assumptions covering exchange rates, mining production, smelting output and sale prices in accordance with existing offtake agreements. The Discounted Cash Flow ('DCF') model utilises an 8% discount rate along with a 2% terminal growth rate in order to generate a theoretical £30.7 million valuation.

(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.)

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