

Stock Data

Share Price:	0.30p
Market Cap:	£10.73m
Shares in issue:	3,575,00m
52-week high/low:	0.40p/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% V₂O₅, 68.6% Fe₂O₃ and 14.7% TiO₂.

www.ironveld.com/

5-year share price performance



Source: LSE

Past performance is not an indication of future performance.

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Ironveld

Ironveld was unexpectedly hit by a power supply shortfall at Rustenburg during July and August. This occurred when the two refurbished furnaces, Argon Oxygen Decarburization ('AOD') converter and Granulator were simultaneously brought on stream for the first time. In line with its plan to remain independent of South Africa's failing power grid, which routinely imposes extended power outages as part of ESKOM's 'load shedding' strategy, new diesel generators have since been installed and are now supplying the facility as planned. They will also provide capacity sufficient to operate the third furnace, that is now expected to be commissioned in October. Recognising that it would have been uneconomic to attempt production of high purity iron ('HPI') during this time, management instead opted to preserve cash resources, while also undertaking test work in expectation of securing a cash-generative short/fixed-term and quantity contract from a third party for processing during its plant shutdown. This not only demonstrates the plant team's flexibility, but also the Group's ability to generate value from its on-site equipment. Amongst other progress, the Board also reported that the refurbished Granulator is performing significantly ahead of expectations, while first sales from the DMS magnetite JV are scheduled in less than two months, followed by anticipated commissioning of the BurnStar LNG-to-hydrogen project by end-2023, all of which is taking place amid presently strong market conditions for its near-term HPI and future iron powders. In order to plug any potential working capital funding gap created by the delayed product sales, certain Directors have personally provided Ironveld with a £0.5m facility to ensure it retains operational flexibility. Having already made allowances for such 'teething' problems during Rustenburg's start-up phase, TPI's DCF valuation for Ironveld remains unchanged at £30.7m.

First two furnaces now operating on a full-time basis

Following July and August's minor delay in fully powering up the first two furnaces, successful installation of additional generators earlier this month now means they, along with the AOD Converter and Granulator, can operate simultaneously to optimise throughput on a full-time basis. Output will also be sufficient to supply the third furnace, for which final works and commissioning had temporarily been put on hold but is now expected to take place next month. In time, the fourth furnace at the smelter is expected to be brought into production and, given its recent positive experience, may also be made available for third party contracts.

Encouraging market conditions for both HPI and HPIP

The international market for HPI is reasonably well established. It introduces important industrial properties, such as low coercivity, high ductility, smooth texture as well as good efficiency in thermal and electrical conductivity, which apply to iron with very few impurities. Valued at US\$8.2bn in 2021, global sales are expected to expand at a CAGR of 8.5% through to 2030 according to Grand View Research. Significant further value can be added through conversion into high purity iron powders ('HPIP'), which now find an increasingly wide and expanding spectrum of uses to make it a highly sought-after metallurgical product. With few mainstream producers

choosing to operate in this area despite the relatively low cost and straightforward conversion process, HPIP is consistently seen to command a 50%+ price premium to HPI when sold through longer-term offtake agreements.

With production of HPIP remaining a central part of the Group's business plan, the Board has been encouraged by recent conversations with potential customers for its planned output. Existing specialist applications (including stone/diamond cutting, oxygen absorption, chemical reagents, surface coating, nutrition, EMI shielding etc.) appear set to for continued expansion, including in the area of 3D printing manufacturing which has reportedly grown 16% over the past year and is becoming widely used in the aerospace industry by Airbus, Boeing, etc. Elsewhere, Apple, for example, announced that it would be using 3D printers to make the chassis for some models of its upcoming Watch Series 9; the new manufacturing process being tested will use less material than required for traditional computer numerical control manufacturing, as well as reducing the time that it takes to make such products.

Given also that there is presently no production of water atomised iron powders in the southern hemisphere, this could potentially provide Ironveld with the opportunity to attract regional customers seeking an alternative to otherwise inflexible import terms for these critical materials. Management has a fully costed a capital investment programme of approximately ZAR 80m (c.£3.4m) to upgrade the Rustenburg production facilities and is considering various routes to finance this expansion without further recourse to shareholders. Ironveld reported on 30 March 2023 that it was aware Grosvenor Resources (Pty) Limited ('Grosvenor') was in talks with potential funders to facilitate its investment transactions. An institution subsequently introduced by Grosvenor is now in direct funding discussions with the Group, which will provide a further update as and when appropriate.

Full solar-LNG hybrid system expected to be operational by Q1 2024

Ironveld has already stated its intention to replace all its existing diesel-powered generators with more environmentally friendly and economical sources of electricity. Back on 12 September 2022, the Board confirmed work was underway with project development and engineering teams from Enernet Global Inc. ('Enernet') for installation of a full solar-liquefied natural gas ('LNG') hybrid system at its Rustenburg site. This is intended to provide all power requirements on a greener, materially cheaper and more reliable basis than through use of either diesel generators or grid power. Completion is expected during Q1 2024.

In tandem with this, on 3 April 2023 the Group also signed of a Letter-of-Intent ('LOI') with Burnstar Technologies Pty Ltd. ('Burnstar') to proceed towards a binding Legal Agreement, under which BurnStar would implement its patent-pending 'Guilt-Free Hydrogen™' technology, to process LNG on site at Rustenburg. With BurnStar supplying and installing the commercial plant at its own cost, works are on track for commissioning around the end of 2023, followed by commencement of supply during Q1 2024. This solution may enable Ironveld to use hydrogen as a reductant in the smelting process, thereby further enhancing the Company's 'green metals' credentials.

Refurbished Granulator performing better than expected

Following completion of its refurbishment, the smelter's on-site Granulator has performed significantly above expectations. Recent processing saw it consistently generating a minus two-millimetre final product (compared with expectations of as much as five and ten-times that size) which, based on current customer feedback, should lead to a wider customer base for the Group's HPI product.

Ironveld Mining – Stockpiles now at comfortable level

General mining activities to provide the smelter with the necessary ore have enabled creation of stockpiles, both at the mine site itself and at Rustenburg, which are now sufficient for several weeks of operation.

As was announced at the beginning of this month, an amendment to the structure of the IPace DMS Magnetite Joint Venture has been signed with Sable Exploration and Mining ('SEAM') to bring it in as a funding partner. Having already advanced the funding envisaged by the agreements, ground works and civil works for the JV are

progressing well, with all processing equipment expected to be installed in approximately four weeks, followed by first product sales around two to four weeks after that.

Working Capital Facility – Ensuring near-term flexibility in meeting ongoing operating costs

As a result of the additional diesel generator costs required to reach full production capacity at the Rustenberg smelter complex, Ironveld's capital expenditure has been higher than anticipated at the time of the February 2023 placing. In order to ensure that it has an adequate working capital buffer until the expected receipt of increased product sales from the newly installed on-site power, Ironveld has entered into working capital loan facility agreements ('the Facility') with certain Directors, being Peter Cox, Giles Clarke and Nick Harrison, together with Tracarta Limited (in which John Wardle has a beneficial interest). The Facility consists of a maximum of £500,000 in order to provide flexibility in meeting ongoing operating costs over the coming months and is based on the following key terms:

- Interest on funds drawn at 11% per annum;
- Arrangement fee of 2.5% of the Facility value;
- Term of six months;
- Repayment of any funds drawn down plus interest immediately upon receipt of funds drawn down from any replacement institutional debt facility or conversion at the issue price in the event of any future equity placing during the loan term; and
- There are no warrants immediately awarded in connection with the Facility however, conditional upon a replacement institutional debt facility being drawn down during the loan term, 62,500,000 warrants (in total) will be issued to the lenders exercisable at 0.80p per share. The exercise price represents a 162.3% premium to the closing mid-price per Ironveld share of 0.305p on 15 September 2023.

TPI retains its £30.7m DCF valuation for Ironveld

Having surmounted all major technical challenges at Rustenburg, with on-site feedstock stockpiling underway and sale prices guaranteed through existing offtake agreements amid firm markets for both HPI and HPIP, overall project risks have clearly now substantially reduced. Today's announcement not only lends additional support to the expectation that Ironveld will become cash generative within its first full year of production, but also continues to build credibility into the Board's ambitious medium to longer-term vision of building a much larger, scaled-up production facility. Having taken this news on board TPI will not, at this time, be revising its existing prudent financial model for the overall project, although it considers there may be an opportunity to move it upward once the plant has been fully commissioned and its prospective economic benefits formally detailed. In the meantime, based solely on the smelter's first phase of proposed commercial expansion and utilisation only of existing wholly owned plant, TPI derives a £30.7m DCF valuation for Ironveld, 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.)

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