Stock Data

Share Price:	0.18p
Market Cap:	£7.08m
Shares in issue:	3,935.00m
52-week high/low:	0.40p/0.17p

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_2O_5, 68.6% Fe_2O_3 and 14.7% TiO_2.

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 has released its final results for the 12 months ended 30 June 2023. While these detail financial and operational progress very much as expected for the period, yesterday's Chairman's Statement also confirmed negotiations to secure direct institutional funding are now well advanced. Expected to close in early 2024, this will enable much needed new investment in Group operations, including additional capital equipment at the Rustenburg smelter facility, which presents the best opportunity to maximise value through its substantial magnetite ore resource being processed into higher value metal products, specifically high purity iron ('HPI'), high purity iron powders ('HPIP'), vanadium slag and titanium slag. Meanwhile, following his appointment as Executive Chairman in early November, Dr John Wardle took the decision to preserve available cash by removing existing rented electrical generators with a view to replacing them with similar capacity, dual-fuel units on hire purchase early in 2024; leaving the smelter temporarily on a care & maintenance basis, which should deliver annualised savings of c.ZAR 40 – 50 million (£1.7 - £2.1 million). Similar exercises, alongside a review of UK overheads, are expected to provide further material benefits to the Group's cost structure during the second half of this financial year. While there must be some uncertainty in relation to the proposed institutional funding transaction, the high level of confidence being expressed by the Board suggests negotiations should be successful. Assuming this, together with the £1m (gross) equity placing completed on 26 October 2023 plus projected reduction in operating costs, Ironveld will have secured a 12 months forward cash runway. Given that investments planned during this period should be capable of rapidly and substantially ramping up volume throughput, based on which the Group is expected to become cash generative within its first full year of operation, TPI retains its DCF valuation unchanged at £30.7m.

(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.)

Operational highlights

- Rustenburg smelter refurbished and mining activities commenced during the period, marking Ironveld's first steps from development to production;
- Initial production achieved at smelter, but operational challenges and modifications delayed anticipated post period ramp up late in 2023.

Financial highlights

- FY2022/23 produced Ironveld's first modest revenues of £103k, which delivered a gross profit of £74k (implying an exceptional 72% gross margin);
- Administrative expenses for the period spike to £1.3m (FY2021/22: £0.8m);
- Full year net loss of £459k ((FY2021/22: £811k) including tax credit of £711k (FY2021/22: nil);
- Group borrowings eliminated during period (FY2021/22: £499k);
- Subject to it securing the proposed direct institutional funding early in 2024, Ironveld should have a forward cash runway of around 12 months.

Funding transaction with South African financial institution

As of the approval of yesterday's FY2022/23 Financial Statements, Ironveld had not signed definitive documents, but the Board has expressed reasonable expectations that a significant funding transaction with a South African financial institution, which has been in process for a number of months, will be concluded early in 2024. The size of this facility, which is likely to be based on competitive interest rates/repayment terms, has not been disclosed, but is likely to be sufficient to cover all planned capital expenditure (including new equipment to produce HPIP) and other costs/facilitation associated with the ramp-up, together with a modest reserve to cope with any further unexpected events.

This funding is expected to be sufficient to transition the Group's substantial, shallow magnetite ore resource (56.4 million tonnes of grading 1.12% V_20_5 which is approximately twice the grade of other Vanadium resources currently being mined/processed within the highly productive Bushveld Complex) and Rustenburg smelter facility, into one capable of producing high volumes of value-added metal products, specifically high purity iron ('HPI'), high purity iron powders ('HPIP'), vanadium slag and titanium slag. With established infrastructure and globally recognised offtake partners/sales agreements for all products already in place, Ironveld is expected to become cash generative within its first year of volume production. Recognising the opportunity for significant future expansion, the Board has already agreed a three-phase expansion plan that utilises free cash flow to fund development of a materially expanded smelter operation. In the short-to-medium-term, this could include complementing the existing 7.5MW capacity FCF smelter complex (whose c.20,000tpa capacity is expected to provide a platform for organic growth via demonstration of initial production and sales) with a 15MW (or larger) unit located next to the mine site as a means to effectively treble output. Beyond this, the Group's longer-term objective, which would be supported by a full DFS, is to add as many as four 75 MW smelters also on the mine site, which could enable it to become one of the world's larger international HPI/HPIP producers, in competition with existing market leaders that include Hoeganas, GKN, Kobelco, RTMP and JFE Steel.

Temporarily placing Rustenburg on a care & maintenance basis

Whilst revenues generated during FY2022/23, followed by successful completion of a test project to process third-party ferro-silicon slag metal in the current period proved the capability and flexibility of the FCF smelter operations, post period-end a number of issues, including required repair of the Granulator and securing additional generator power, impacted the planned ramp up of production at the facility. Having drained more cash than expected during this time, the Group took the decision to complete a further equity placing, raising gross proceeds of £1.0 million on 26 October 2023, in conjunction with the appointment of Dr John Wardle as Executive Chairman.

Negotiations to secure new direct institutional funding commenced in September 2023. Upon completion, this will be immediately directed to scaling up operations both at the mine site itself and at the smelter, where investment in necessary repairs and new capital equipment, including for the production of higher value iron powders will be undertaken. Ahead of this, Dr Wardle also completed a review of all Group outgoings/overheads, choosing earlier this month to cease renting electrical generators, replacing them instead with a hire purchase agreement for similar capacity equipment for approximately 25% of the monthly cost (which implies annualised savings of around ZAR 40 – 50 million (£1.7 - £2.1 million)). The proposed units are already available in South Africa and the intention is for delivery/installation to coincide with completion of the direct funding transaction early in the New Year. Further, potentially significant cost elimination exercises will also be undertaken during 2H FY2023/24, including a similar review of UK overheads, which could realise more material benefits for shareholders.

Direct Investment talks outlook – Potential for twelve months forward runway

While start-up costs plus associated operational complications have been more onerous than expected, the scale and quality of Ironveld's magnetite resource has never been in doubt, neither has its relatively straightforward business plan. Having proven the smelter's ability to produce high margin metals along with the viability of the Group's sales/offtake agreements amid firm pricing/demand for its range of final products, the challenge that remains is now to achieve consistent volume throughput. This requires investment both at the mine site and smelter in terms of facilities, staffing and capital equipment.

The Group's Financial Statements for 2022/23 were prepared on a 'Going Concern' basis in expectation of its proposed direct funding transaction successfully concluding early in 2024. Taking the assumed receipts of funding into account along with existing cash on the balance sheet, the Group has adequate resources to continue operations for the foreseeable future, being twelve months from the date of approval.

TPI retains its £30.7m DCF valuation for Ironveld

October's successful £1m (gross) fundraising, along with the Group's existing Working Capital Facility, are expected to provide sufficient resource to meet ongoing operating costs while negotiations to secure the direct institutional funding continue. This will then facilitate planning to rapidly scale up volume throughput, leading to significant cash generation. With strong customer interest in Rustenburg's output, Turner Pope expects Ironveld to finalise its initial HPI (and prospectively an even higher margin HPIP) sales contracts on advantageous terms early in the New Year. Meanwhile, having been impacted by extended delivery times for critical electrical components, the Group's Ipace DMS Magnetite joint venture is now progressing once again, with first production expected to be shipped and sold by late-January 2024.

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 the Group's range of metal products, it is reasonable to believe that the proposed funding arrangement will be transformative for the Group. Today's Financial Statements not only lend additional support to the expectation that Ironveld can become cash generative within its first full year of production, but also continue to build credibility into the Board's ambitious medium to longer-term vision of building a much larger, scaled-up production facility. Having reflected on the teething problems encountered to date and the Board's plans to quickly resolve all such issues followed by expectation of escalating medium-to-longer term throughput, TPI will not, at this time, be revising its existing prudent financial model for the overall project, although it recognises there may be opportunity to move it upward once the plant has been fully commissioned and its financial benefits demonstrated. 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 around four times the Group's current market capitalisation.

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