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Ironveld PLC - IRON Planned acquisition of smelting business
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Ironveld plc ("Ironveld" or the "Company") Planned acquisition of smelting business

Ironveld plc, the owner of a High Purity Iron ("HPI"), Vanadium and Titanium project ("the Project") located on the Northern Limb of the Bushveld Complex in Limpopo Province, South Africa, is pleased to announce that it has signed two non-binding Memoranda of Understanding ("MOUs") with, inter alia, Siyanda Inkwali Smelting Services (Pty) Ltd ("Siyanda") to subscribe for shares to acquire a 100 per cent interest in Siyanda Smelting and Refining (Pty) Ltd ("Siyanda Smelting") and a purchase agreement to acquire 70 per cent of Power Alt (Pty) Ltd ("Power Alt").

Siyanda Smelting currently owns a smelting plant comprising three arc furnaces and two induction furnaces, a convertor and associated equipment with a smelting capacity of 7.5 MW (the "Smelting Plant"). Power Alt is the direct owner of an Independent Power Producing Plant ("IPP") that generates 10.6 MW of electricity through 4 natural gas powered turbines.

The transactions will enable early production of HPI, Vanadium and Titanium from the Project and will facilitate supply into the Company's offtake agreements. The transactions will provide the Company with a readymade smelter that is expected to deliver highly attractive economic returns and early free cash flow whilst providing the platform for organic growth. The Smelting Plant and IPP are located in Middleburg, South Africa, c. 300 kilometres from the Project.

Key Acquisition Highlights

- Projected annual production from the 7.5 MW smelter from Q1 2018 of:
 - 21,000 tons of HPI Powder
 - 190.5 tons of Vanadium in slag grading 36% V
 - 4,134.5 tons of Titanium in slag grading 65% TiO2
- The MoUs envisage payment of an initial consideration of R50m (approx. £2.9m*) payable as to R20m (approx. £1.16m) in cash

(supported by warrants granted by the Company) and R30m (approx. £1.74m) in new ordinary shares in the Company

- Two further payments each of R69m (approx. £4.0m) in cash due on the first and second anniversaries of signing of the MOUs, such payments anticipated by the Company to be funded by way of free cash flow from the Smelting Plant
- The refurbishment and installation of the necessary equipment to produce HPI, Vanadium and Titanium products to Ironveld's specifications is anticipated to take up to 6 months with production commencing in Q1 2018
- Once in operation the Smelting Plant is anticipated to generate significant profit before tax and free cash flow
- Allows the Company to ensure certification of products which will reduce commissioning time of the 15 MW when this is later developed
- All the Environmental Permissions are in place
- Due diligence has been completed. The aim is to agree legally binding purchase agreements by the end of April 2017, with the final transaction being subject to shareholder approval with the necessary shareholder circular to be posted in due course. There can be no certainty that the transactions will occur, further announcements will be made in due course

* All conversion from South African Rand to GBP at an assumed rate of 17.25

Peter Cox, CEO of Ironveld, said:

"This potential acquisition is a unique opportunity for the Company to produce HPI, vanadium and titanium significantly earlier than previously envisaged and begin selling this to our offtake partners and receiving revenues. As the smelter and convertor only require refurbishment there is no construction risk and operating the facility will significantly de-risk the Project by ensuring early validation of our high quality products. Furthermore the anticipated profits and free cash flow from the Smelting Plant will place the Company in a considerable position of strength."

"The strategy for the Company has always been to bring this strategically important project for South Africa in to production, benefiting our shareholders, the local communities and the country. With this acquisition we will gain earlier entry to production, and establish a de-risked platform to execute our initial plan of developing a 15 MW smelter as we sell the smelters output to our offtake partners. This is an excellent opportunity for the Company to advance the Project."

Since acquiring the Project, Ironveld has obtained the necessary permits to begin construction and is awaiting the land lease agreement. In addition, the company has secured financial support from the South African Government via the Industrial Development Corporation. Ironveld continues actively working towards financial closure of the 15MW smelter as the long term objective remains to operate a 15 MW smelter followed by four 75 MW smelters to process the large Vanadiferous Titaniferous Magnetite resource at the Project.

About Siyanda and the Smelting Plant

Siyanda is a private South African company that owns Siyanda Smelting which will be the direct owner of five furnaces and the registered owner of the immovable property on which the furnaces are situated. Siyanda also owns 70% of Power Alt, the owner of the immovable property on which an associated Independent Power Producing Plant that generates 10.6 MW of electricity through 4 natural gas powered

Jenbacher turbines (J620 GS - manufactured by General Electric) are situated. it is envisaged will serve as the supplement and backup power to the Smelting Plant.

Ends

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