

Speculative Buy

Price: 0.6p-0.8p

EPIC: FRX.L (FTSE AIM All Share)

Sector: Industrial Metals & Mining

Share price performance



Source: London Stock Exchange

Key Data

1 Year High/Low:	0.79p – 0.45p
No. of shares:	1,100m
Mkt. cap:	£7.7m
Website:	ferrexplc.com

Analyst

Harry Stevenson
(t) +44 (0) 207 382 8384
(e) harry.stevenson@beaufortsecurities.com

Developing Mineral Assets: near term production potential in Africa

The Company has three core projects, all with low capital expenditure requirements if developed because of proximity to existing infrastructure.

The Nayega Mn Project in Togo has near term cash flow potential through a low capex open pit mining operation with the potential to develop into an integrated ferromanganese producer. The Company is targeting development of Nayega later this year.

The Mebaga direct shipping ore (DSO) Fe project in Gabon has a large exploration target and, being the closest DSO project in the Belinga province to the Port of Libreville, has a significant logistical advantage over its peers.

The Malelane Fe project in South Africa is 170km from the port of Maputo with potential for a DSO starter project underpinned by significant upside with only a fraction of the prospective horizon tested so far.

Ferrex has a proven team (see appendix for Management biographies) with an excellent track record of proving up resource assets, developing mining operations and completing value accretive trade sales. Importantly, the Directors have in excess of 25% ownership of the Company.

Nayega Manganese Project, Togo

Ferrex has a 92,390 hectare licence area in northern Togo, which hosts combined Measured and Indicated JORC resources of 11Mt @ 13.1% Mn, with a Measured Resource of 2Mt @ 17.1%, and an Indicated Resource of 9Mt @ 12.2%.

Ferrex is currently concluding a Bankable Feasibility Study and expects award of the mining permit in early 2015. A Scoping Study indicates that Nayega could produce 250,000 tonnes per year of manganese concentrate at 38% with an initial capital expenditure of under \$15m. A Scoping Study on a ferromanganese plant in Togo has also been concluded and shows a lowest quartile operation with robust economics. The company is focussed on bringing the mine into production on grant of the mining permit whilst advancing the ferromanganese studies.

Regional evaluation has delineated additional targets with potential to increase the global resource inventory. In October 2014, the Company announced a positive exploration update from pit sampling at two of these targets.

The Company announced, in October, proposals for a two-phase development programme at Nayega, with an initial low-cost 250,000 tonnes per annum (further details below) open-pit mine producing a 38% marketable manganese product, which the Company has already demonstrated as having strong economics, followed by a second phase smelting facility to produce a valuable 74% High Carbon Ferromanganese alloy in the medium term. The Company added at the time that additional pitting, aimed at defining new JORC Code compliant resources for the two target areas, is to commence shortly.

The Company CEO commented further:

‘With the imminent granting of the Nayega Mining Licence and the current reduction in iron ore prices, the Company has decided to primarily focus on its manganese assets and developing Nayega towards production in the near term whilst continuing to advance its iron ore assets in South Africa and Gabon using in house skills to keep expenditure to a minimum. We will continue to engage with interested parties in terms of strategic alliances for our iron projects; however will only enter into such agreements if it is in the best interest of our shareholders, as we believe our projects are not only viable at this price level, they are even more attractive in the current iron market due to their very low capex requirements.’

Further details of these exploration results are contained in the appendix.

Environmental Permit awarded

At the end of October 2014 the Company announced that the Nayega Manganese Environmental Permit had been granted and the term of the Exploration Permits extended.

The Environmental Permit sets the conditions for the operation of the mine and is a major milestone with regards to granting the mining permit. The Environmental Permit is based on a comprehensive Environmental Impact Assessment ('EIA') and community consultation.

In addition, the Company's Exploration Permits were extended over the full 92,000Ha area. The permits have been renewed for two years and can be renewed for one more period of two years on expiry. The Company is applying for additional ground in the area to maximise the possibilities of further exploration success.

Stage 1 of the Nayega Project: 250,000tpa Mn Mine

- Open pit, zero strip ratio – mining permit submitted.
- Low capex - \$15m, primarily processing plant.
- Low opex – US\$2/dmtu FOB.
 - Back haul, using trucks.
 - 800ktpa of clinker trucked north to Burkina Faso, 30km from mine site.
 - Export via Lome Port – stockpile area located.
- Payback < 18months.
- Simple beneficiation route – washing, screening and gravity separation.
- In discussions with potential JV partners for future funding.

Stage 2 of the Nayega Project: 60,000tpa Ferromanganese Furnace

- Scoping study on a blast furnace and sinter plant to treat 140,000tpa of ore to produce 60,000tpa of ferromanganese –initial project capex estimate of \$45m.

- Uses coke (to be imported) as the main fuel. Planned location in an export trade zone near Lome with significant tax concessions and proximity to port for both feed stock import and product exports.
- Study by independent consultants indicates operating costs of \$665/t for 74% high carbon ferromanganese, which places the operation in the bottom quartile for operating costs.
- Current CIF Rotterdam prices of \$1,075 per tonne, highlighting robust profit margins.
- Due to the inclusion of a sinter plant the Nayega project will have a LOM in excess of 15yrs.

Sintering

- Sintering required for fine material to a size large enough for blast furnace feed and fluxes of limestone and dolomite are calcined.

Blast Furnace

- Sinter and lump ore is reduced and melted to hot metal and slag. Hot metal is cast into pigs and broken up into plates/smaller pieces and nitrogen used as an inert gas for purging and oxygen to increase process efficiency.

Off Gas & Slag Recovery

- A rich offgas is produced which will power other processes. Slag can be granulated and sold for cement manufacturing.

Fund Raise RNS Announcement - 25th February 2015

Ferrex plc announced today that it has raised £835,000, before expenses through the placing of 127,500,000 new Ordinary Shares and subscription of 39,500,000 million new Ordinary Shares at 0.5p each in the capital of the at 0.5p per New Ordinary Share.

The completion of modelling for Phase 1 of the Definitive Feasibility Study which ***has led to further examination of a potential accelerated start up. This option sees a simpler plant built either as a 250,000tpa plant or in stages using cashflow generated from mining operations to fund incremental expansion.***

At the same time, the Company continues to progress discussions with numerous parties regarding the potential financing of the entire production project at Nayega. The Company intends to enter into an MOU in the near future with one or more preferred parties to finalise these discussions. In particular, one party has progressed to providing a term sheet to Ferrex which, if the transaction was concluded would see an equity investment into the Company at a significant premium to the Issue Price in return for a substantial stake in the Company.

In the meantime, the Company continues to work with the Government of Togo towards the conclusion of the Mining Convention which is the penultimate item for the issuance of the Mining Permit over Nayega. The Company still expects to conclude the Mining Convention by the end of Q1 2015.

Accordingly, the proceeds of the Fundraising give the Company cash headroom to consider the options available to it.

Summary

- Proceeds will be used to provide working capital as Ferrex moves towards finalising full financing for the construction of its 250,000tpa Nayega Manganese Project in Togo
- Finalised an accelerated start-up production plan for Nayega that will provide manganese ore production and ***near term cash flow within eight months of commencement of works***
- ***Support from new and existing shareholders and Board participation by way of subscription, further aligning the Directors with Ferrex shareholders***

Dave Reeves Chief Executive of Ferrex said, “We are delighted to have received such strong support from our shareholders for this Placing. With these funds secured we ***will be well positioned to fully examine all financing options for the accelerated construction*** of our flagship Nayega manganese project as we progress towards an initial production, currently anticipated at the beginning of 2016, subject to finalising the Mining Convention and secure the Mining Permit. We are in discussions with numerous interested parties in respect to the funding of Nayega as a low-capex, open pit, 250,000tpa manganese mining operation. We look forward to providing further updates on this in due course, including finalisation of funding, as we announce the next stages of development and mine construction for Nayega.”

Other Assets

Mebaga DSO Fe Project, Gabon

- Excellent infrastructure – 30km from sealed highway and high tension power lines and 100km from the Trans-Gabon rail that terminates at Port of Libreville.
- 309 square kilometres licence in an extensive iron ore province, covers 19km strike of prospective BIF.
- Oxide exploration target of 90—150Mt @ 35-65% Fe over 12km of the identified 19km strike length.
- Positive drill results, best intercept of 28.7m @ 61.4% Fe from surface in most recent hole.
- Will trade at a premium to 62% benchmark price due to low deleterious elements in DSO intercepts - 4.5% combined Al and Si, results in a high calcined grade of 66% Fe. Estimated cost CIF China \$60-\$66.

Malelane Iron Ore Project South Africa

- 4,192 ha licence area.
- Large development project with robust economics demonstrated for a 1.8Mtpa operation with life-of-mine 16.6 years.
- Inferred Resource of 139Mt @38% Fe delineated to date modelled on 1.1km of 14km BIF strike length.
- Exploration target of 1,600-2,000Mt @ 36-38% Fe highlights a bigger picture.
- Positive preliminary metallurgical testwork.

Leinster Manganese Project, South Africa

- 74% holding in a 47,000ha licence area.
- Anglo American drilled 5100 holes between 1977 and 1988.

- Based on the results of Anglo drillholes, Coffey Mining modelled an exploration target of 5.5-8.mt at 28.6-31.6% Mn.
- Project on hold, pending smelting knowledge gained from Togo project.

Conclusion

The Company is currently concentrating on the Nayega Mn Project in Togo because of its potential for near-term cash flow. The Company ***still expects to conclude the Mining Convention by the end of Q1 2015*** at Nayega. It is in the interests of shareholders for the Company to concentrate on Nayega. The Mining Convention approval is without doubt a short-term catalyst for value enhancement, and its approval could attract interest from potential partners. Management demonstrates support with their shareholding, their previous track record and 11,250,000 shares being subscribed by each of the Chairman and Managing Director.

In difficult times for mining companies, we believe the Company should be backed and we add ***Speculative Buy***.

Strengths and Weaknesses

Strengths

- *JORC Resource at Company's lead project at Nayega, in Togo*
- *Environmental Permit awarded*
- *Management shareholding is encouraging*
- *Near term development*

Weaknesses

- *Construction and operation risk*
- *Licence award may be delayed*
- *Depends upon future re-finance.*
- *Manganese price*

Sources: Company announcements, ProQuote, Company Website, and Company Presentation

Appendices

Brian Moritz, Non-executive Chairman

Brian is a Chartered Accountant and former Senior Partner of Grant Thornton, London. He formed Grant Thornton's Capital Markets Team which floated over 100 companies on AIM under his chairmanship. In 1995 he retired from Grant Thornton to concentrate on bringing new companies to the market as a director. He concentrates on mining companies, primarily in Africa, and was formerly chairman of African Platinum PLC (Afplats) and Metal Bulletin PLC as well as currently being chairman of several junior mining companies.

Dave Reeves, Managing Director

Dave holds a first class honours degree in mining engineering from the University of New South Wales, a graduate diploma in applied finance and investment from the Securities Institute of Australia, and a Western Australian first class mine managers certificate of competency. He has spent the last 14 years operating in Africa including Zimbabwe Platinum Mines Ltd (Zimplats) and Afplats. He is a non-executive chairman of ASX company European Metals.

James Carter, Finance Director

James is a CPA with 17 years experience in the mining industry. James was most recently CFO of Straits Resources, a diversified metals group listed on the ASX. Prior to this James was CFO and Company Secretary of SGX listed Straits Asia Resources and was integral to its development as a 10 million tonne per annum coal producer in Indonesia. His work at Straits included debt and equity capital markets, tax strategy, M&A and corporate governance. James was involved with equity and debt capital markets raisings of \$2 billion in the last 5 years. James is a board member of Worldwide Energy, an aspiring Indonesian coal company and PTT Asia Pacific Mining.

Roy Pitchford, Non-executive Director

Roy, a Chartered Accountant, has more than 25 years senior management and executive experience. Previously CEO of Cluff Resources Zimbabwe Ltd, Delta Gold Zimbabwe (Pvt) Ltd, Zimplats, Afplats and African Minerals Ltd. Roy currently sits on numerous public and private mining companies' boards.

Russell Lamming, Non-executive Director

Russell Lamming is a qualified geologist with an honours degree in geology from the University of the Witwatersrand and a Bachelor of Commerce in Economics from the University of Natal. Russell has a broad range of experience including directorship of a South African mining consultancy and precious metals analyst for a leading international broker and was the CEO of AIM listed Chromex Mining and Goldplat Plc.

Mark Styles, Exploration Manager

Mark is a geologist with a first class honours degree obtained from the University of Western Australia and 20 years experience in exploration and project management worldwide. His experience covers a range of precious metals, base metals and bulk commodities in Australia, Saudi Arabia, Tanzania, South Africa, Canada, Gabon, Togo and Mexico, where he was country manager for ASX-listed explorer Azure Minerals Limited. In 2008, Mark established a geological consulting company specialising in property evaluation, target identification and exploration management with Cliffs Asia Pacific Iron Ore as a major client.

HEADLINES OF 16 OCTOBER 2014 RNS

16 October 2014

Ferrex plc ('Ferrex' or 'the Company')

Nayega Manganese Togo Project Exploration Update

Ferrex plc, the AIM quoted manganese and iron-ore development company focused in Africa, announces a positive exploration update from pit sampling aimed at increasing the current combined Measured and Indicated mineral resource of 11.0Mt @13.1% Mn at the 92,390Ha Nayega Manganese Project ('Nayega' or 'the Project') located in northern Togo held through Societe Generale de Mines.

The Company recently announced proposals for a two-phase development programme at Nayega where an initial low-cost 250,000 tonnes per annum open-pit mine producing a 38% marketable manganese product, which the Company has already demonstrated as having strong economics, followed by a second phase smelting facility to produce a valuable 74% High Carbon Ferromanganese alloy in the medium term.

Overview

- Positive exploration results from pit sampling (49 pits for 171.5m) at two priority targets in the vicinity of Nayega - T48 and T27; best intercepts include: (see figure 2)
- Target T48, located 1km northwest of the Nayega deposit
 - o 2.8m @ 23.1% Mn from surface
 - o 1.9m @ 23.0% Mn from surface
 - o 1.15m @ 19.4% Mn from surface
- Target T27, located 7km east-northeast of the Nayega deposit
 - o 1.4m @ 13% Mn from surface
 - o 1.15m @ 11.8% Mn from surface
 - o 2.23m @ 11.7% Mn from surface
- Additional pitting aimed at defining new JORC Code compliant resources for the two target areas will commence later this month
- T48 exploration target of 100-200Kt @ 15-20% Mn - has the potential to provide initial, easily-accessible high grade manganese ore to feed the 250,000 tpa production development
- T27 exploration target of +1Mt @ 8-12% Mn - has the potential to provide additional feed to extend the life of the operation
- Reconnaissance work is ongoing to ascertain the wider value potential of Nayega deposit

Ferrex Managing Director Mr. Dave Reeves said, "These latest exploration results have confirmed a number of exciting targets which have the potential to add substantial value by increasing the current JORC Code compliant resource of 11.0Mt @ 13.1% Mn. Importantly, the T48 and T27 targets are located within easy trucking distance of the planned plant at Nayega and have the potential to provide additional high-grade feedstock for both the proposed low-capex open-pit 250,000 tonnes per annum

manganese mine and subsequently the proposed ferromanganese smelting operation. Over the coming months we plan to conduct additional mapping, sampling and pitting to advance these two target areas. With the Definitive Feasibility Study nearing completion for the Phase 1 open-pit operation and the Environmental Permit on track to be granted in Q4 2014 we look forward to reporting on these milestones in due course.

"In addition, with the imminent granting of the Nayega Mining Licence and the current reduction in iron ore prices, the Company has decided to primarily focus on its manganese assets and developing it towards production in the near term whilst continuing to advance its iron ore assets in South Africa and Gabon using in house skills to keep expenditure to a minimum. We will continue to engage with interested parties in terms of strategic alliances for our iron projects; however will only enter into such agreements if it is in the best interest of our shareholders, as we believe our projects are not only viable at this price level, they are even more attractive in the current iron market due to their very low capex requirements."

Recommendations

During the three months to end-January 2015, the number of stocks on which Beaufort Securities has published recommendations was 281, and the recommendations were as follows: Buy - 81; Speculative Buy - 172; Hold - 23; Sell - 5.

Full definitions of the recommendations used by Beaufort Securities in its publications and their respective meanings can be found on our website [here](#).

This report is published by Beaufort Securities ("Beaufort Securities"). Beaufort Securities is Authorised and Regulated by the Financial Conduct Authority and is a Member of the London Stock Exchange.

This research is non-independent and is classified as a Marketing Communication under FCA rules. As such it has not been prepared in accordance with legal requirements designed to promote independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research in COBS 12.2.5. However Beaufort Securities has adopted internal procedures which prohibit analysts from dealing ahead of non-independent research, except for legitimate market making and fulfilling clients' unsolicited orders.

RELIANCE ON THIS NOTE FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL OF THE FUNDS, PROPERTY OR OTHER ASSETS INVESTED OR OF INCURRING ADDITIONAL LIABILITY.

By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of Beaufort Securities. When distributing this document, Beaufort Securities is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, Beaufort Securities will not be responsible to any recipient for providing the protections afforded to its clients.

Beaufort Securities may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Beaufort Securities may be a shareholder in any of the companies mentioned in this report. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to Beaufort Securities or the Group, which is not reflected in this material. The remuneration of the author of this report is not tied to the recommendations on any shares mentioned nor to the any transactions undertaken by Beaufort Securities or any affiliate company. Further information on Beaufort Securities' policy regarding potential conflicts of interest in the context of investment research and Beaufort Securities' policy on disclosure and conflicts in general are available on request. Please refer to <http://www.beaufortsecurities.com/important-info>.

This document is not an offer to buy or sell any security or currency. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment or currency will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. The listing requirements for securities listed on AIM or ISDX are less demanding and trading in them may be less liquid than main markets.

This document is based on information Beaufort Securities has received from publicly available reports and industry sources. Beaufort Securities may not have verified all of this information with third parties. Neither Beaufort Securities nor its advisors, directors or employees can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication, and neither Beaufort Securities nor its advisors, directors or employees accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law). This document is not to be relied upon and should not be used in substitution for the exercise of independent judgment.

This document includes certain statements, estimates, and projections with respect to the anticipated future performance of securities listed on stock exchanges and as to the market for these shares. Such statements, estimates, and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates, and projections or as to its fitness for the purpose intended and it should not be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared them. This report has not been disclosed to any of the companies mentioned herein prior to its publication.

The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose. Other persons who receive this document should not rely on it. Beaufort Securities, its directors, officers and employees may have positions in the securities mentioned herein.

© Beaufort Securities Ltd
131 Finsbury Pavement, London EC2A 1NT

Company Name	Disclosure
Ferrex Plc	1, 7

1. In the past 12 months, Beaufort Securities Limited or its affiliates have had corporate finance mandates or managed or co-managed a public offering of the relevant issuer's securities or received compensation for Corporate Finance services from the relevant issuer.
2. Beaufort Securities Limited expects to receive or intends to seek compensation for Corporate Finance Services from this company in the next six months.
3. The investment analyst or a member of the investment analyst's household has a long position in the shares or derivatives of the relevant issuer.
4. The investment analyst or a member of the investment analyst's household has a short position in the shares or derivatives of the relevant issuer.
5. As of the month end immediately preceding the date of publication of this report, or the prior month end if publication is within 10 days following a month end, Beaufort Securities Limited and / or its affiliates beneficially owned 1% or more of any class of common equity securities of the relevant issuer.
6. A senior executive or director of Beaufort Securities Limited or a member of his or her household is an officer, director or advisor, board member of the relevant issuer and / or one of his subsidiaries.
7. Beaufort Securities Limited acts as corporate broker to the relevant issuer.

The investment analyst who is responsible for the preparation of this investment research is employed by Beaufort Securities Limited.