

17 November 2015

**Ferrex plc ('Ferrex' or 'the Company')**  
**Acquisition of Gold Mining Company in Australia and Strategic Review**

Ferrex plc, the AIM quoted resource development company, is pleased to announce that it has entered into an agreement to acquire 100% of Australian private company Chaffers Mining ('Chaffers'). Chaffers has negotiated a five year tribute agreement with Paddington Goldfields, a subsidiary of Norton Goldfields ('Norton') to mine certain defined gold deposits located on the Norton leases, located 30km north of Kalgoorlie in the heart of the Western Australian goldfields, for treatment at Norton's nearby Paddington processing plant.

The acquisition will enable Ferrex to commence production and cash generation with only working capital expenditure in Q2 2016. The funds delivered will be used towards the development of the Nayega Manganese Project ('Nayega') located in Togo upon receipt of the mining permit. This acquisition follows a recently completed strategic review by the Company focused on how to best deliver rapid value to shareholders in the current commodity pricing environment.

**Overview**

- **Low acquisition cost, cash generative mining opportunity in a geographically stable mining jurisdiction:**
  - Production targeted to commence Q2 2016, initially targeting 20,000 to 30,000 ounces per annum
  - Agreement covers historic resources of more than 350,000 ounces of gold at a grade of 2g/t
  - Mining leases granted – deposits comprised of remnant resources below historic pits and previously unmined near-surface deposits
  - Limited working capital costs to commence production estimated at GBP300,000
  - Leases located 25km from the mill in an area of excellent infrastructure
  - Ferrex to pay mining and processing costs, plus 22% royalty on gold recovered to Norton
- **Low cost consideration and addition of highly experienced mining personnel to Board and management which will add further significant and relevant skills to Ferrex**
  - Consideration of £465,000 in shares at a deemed price of 0.5p to acquire 100% of Chaffers, additional £465,000 in shares on production of 10,000 ounces of gold at 30 day VWAP to announcement of successfully completing this milestone

- Chaffers executive Peter Hepburn-Brown to be appointed as a non-executive director of Ferrex and Chaffers Non-Executive Director Peter George to be appointed as Chief Operating Officer
- **Strategic Review of current assets completed with focus directed at adding value for shareholders through near-term, low cost, compelling production opportunities**
  - Acquisition of Chaffers fits these criteria
  - Continuing to develop Nayega as a low cost manganese export mining operation with a view of production within nine months of receipt of the Mining Permit, due imminently
  - Evaluating opportunities to realise value or monetise non-core iron ore portfolio, located in South Africa and Gabon, through joint ventures or trade sales

Ferrex Managing Director Mr. Dave Reeves said, “It is very rare to find an opportunity which can deliver production in under six months from acquisition and therefore I am personally very excited about this project, which fits our goal of rapidly delivering cash flow at a low cost. Gold production will commence at 20,000 to 30,000 ounces per annum, the cash flows from which will be used towards the development of the Nayega manganese project in Togo when the permit is received. With our focus firmly on producing cash from these gold assets for the next six to nine months, I have no reason to believe that the Nayega permit will not be fully granted when we have the time to turn our attention to developing this as our next cash producing asset.

“In light of the continued depressed iron ore pricing environment we have been investigating various projects that fit the criteria highlighted above and continue to do so. The appointment of Peter Hepburn-Brown to our Board and Peter George as COO will bolster our mine development expertise and can be leveraged both in terms of this new acquisition and any future ones. This experience will be highly beneficial as we closely plan our next steps at the Norton leases in Australia and we look forward to reporting these plans to the market.”

### **Further Information**

Chaffers Mining has negotiated a five year agreement with Norton Zinjin Goldfields to mine defined gold deposits on Norton's leases for treatment at their Paddington processing plant located 30km north of Kalgoorlie in Western Australia. The deposits, which host historic resources of 5,741,155t @ 1.97g/t for 363,599 ounces of gold, are located on granted mining leases within 25km of the plant. Ferrex will pay processing costs and a 22% royalty to Norton on gold recovered.

Ferrex will initially target shallow laterite and oxide gold deposits to generate revenue rapidly. Deposits comprise previously-mined pits with remnant economic material below the pit floor

or new areas that have not yet been mined. Once open pit operations are performing to plan, high grade underground opportunities will be investigated; e.g. at Prince of Wales, which hosts a historic resource of 154,000t @ 8g/t gold.

All equipment required for mining and haulage will be hired from local contractors. Confirmatory grade control drilling and assaying will be necessary prior to commencement of production.

The current Australian dollar gold price is approximately A\$1,550/oz. Ferrex is targeting C3 AISC of approximately A\$900/oz, excluding royalties.

Ferrex's management team is based in Western Australia, which allows an easy transition to production. The Ferrex executive has substantial gold experience, having previously developed and operated gold mines in Australia, Zimbabwe and Indonesia. Skills and experience will be augmented by the addition of Chaffers' executives Peter Hepburn-Brown as a non-executive director and Peter George as Chief Operating Officer. Peter Hepburn-Brown is a qualified mining engineer with over 35 years of international mining experience, having managed gold mines in Australia and internationally. Peter George is a qualified mining engineer with over 22 years' experience in gold mining throughout Australia and globally in base metals; Peter will be responsible for establishing gold production and assisting with the development of Ferrex's other projects.

Due diligence on Chaffers has been completed. 100% of the company will be acquired by Ferrex for an initial consideration of GBP465,000 satisfied by the issue of 93,000,000 new ordinary shares of 0.5p each in Ferrex at a price of 0.5p per share, with an additional GBP465,000 in shares on production of 10,000 oz gold calculated using the 30 day VWAP prior to this milestone being achieved. Application will be made for the initial 93,000,000 consideration shares to be admitted to trading on AIM with effect from 23 November 2015.

### **Ferrex Strategic Review**

In consideration of the current low iron ore prices, Ferrex has undertaken a strategic review of its portfolio, which includes the Mebaga Iron Ore Project in Gabon and the Malelane Iron Ore Project in South Africa. As part of this process, Ferrex has refined its core investment criteria and believes it can best deliver value to shareholders by:

- Targeting near-term development opportunities with the potential to generate cash flow to assist in funding larger, higher value projects
- Leveraging the Board's extensive mine development experience
- Targeting opportunities where good margins can be made despite price cycle lows – focused on lowest quartile projects in more mainstream commodities

- Securing projects that allow various funding mechanisms to be used to minimise dilution

In respect of its manganese portfolio, the Nayega Project in Togo fits these criteria due to the low capex required to develop an open pit, low cost export manganese operation. The Company has identified that production could commence within nine months of the mining licence being issued.

Due to its early stage nature and distance to infrastructure, the Leinster Manganese Project in South Africa does not fit the Company's investment criteria. As a result, the Company is currently negotiating a partnering arrangement for Leinster.

The Company's iron ore portfolio has undergone rigorous assessment. In the current pricing environment, neither asset will achieve lowest quartile costing versus the "Big 4" global iron ore producers. As a result, and with the clear objective to be a lowest quartile producer, the Company is in discussions with several parties in an effort to realise value for shareholders from these assets.

## **Glossary**

A\$ – Australian dollar

AICS C3 – all in sustaining cash cost; includes operating costs (mining, processing, transport and administration), royalties, depreciation and amortisation

Au – gold

GBP – Great Britain pound

g/t – grams per tonne

k – thousand

km – kilometre

oz – ounce

t – tonnes

tribute agreement – entitlement to work a mine or a portion of a mine under an agreement with the lessee claimholder or proprietor to pay or receive from such titleholder a proportion or percentage of the produce of the mine or of the value of such produce

## **Competent Person Statement**

Information in this release that relates to exploration results is based on information compiled by Ferrex Exploration Manager Mr Mark Styles. Mr Styles is a qualified geologist, a member of the Australian Institute of Geoscientists and is a Competent Person as defined in the Australasian Code for Reporting of Exploration Results. Mr Styles consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Statements: Information included in this release constitutes forward-looking statements. There can be no assurance that ongoing exploration will identify mineralisation that will prove to be economic, that anticipated metallurgical recoveries will be achieved, that future evaluation work will confirm the viability of deposits that may be identified or that required regulatory approvals will be obtained.

**\*\*ENDS\*\***

For further information visit [www.ferrexplc.com](http://www.ferrexplc.com) or contact the following:

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**Notes**

Ferrex plc is an AIM quoted, resource development company. The Company is focussed on advancing lowest quartile, low capex deposits which benefit from proximal established infrastructure up the development curve and into production. Ferrex plans to commence production at the Nayega Manganese Project within nine months of securing the mining permit for the Project. The agreement to acquire Chaffers Mining will see Ferrex producing gold and generating revenue in the near term with no capital outlay required.

At Nayega, Ferrex has concluded a Bankable Feasibility Study and expects award of the mining permit in 2015. The Bankable Feasibility Study indicates that Nayega could produce 250,000 tonnes per year of manganese concentrate at 38%. The company is focussed on bringing the mine into production on grant of the mining permit as soon as possible to generate cashflows for the Company.

The Company also holds iron ore and manganese projects in Gabon and South Africa and is actively assessing ways to realise value from these assets.

Ferrex has 1,100,794,390 shares in issue. The Directors have subscribed for and purchased approximately 25.4% of the issued share capital of the Company and are thus aligned with shareholders' interests.