

# IRONVELD PLC

## CHAIRMAN'S STATEMENT

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I am very pleased to present a second interim report since the Company was renamed Ironveld plc and readmitted to AIM in August 2012 following a successful £3 million placing. As announced on 11 October 2012, the Company's year-end has been changed from 31 December to 30 June in order to harmonise group accounting reference dates and bring the Company's UK subsidiary, Mercury Recycling Limited, in line with its South African subsidiary.

### **Operational**

The Group has interests in Prospecting Rights in the Northern Limb of the Bushveld Complex north of Mokopane, South Africa. The Rights cover a group of seven adjacent farms, measuring an area of 165 km<sup>2</sup>. It is Ironveld's intention to mine the Ti-magnetite iron ore as feedstock for its own smelters which will produce pig iron and vanadium by products.

The Company has built significant momentum as it moves towards delivering on its goals outlined at the time of listing. The success of the on-going drill programme has meant the total project mineral resource has doubled in size since August 2012, testament to the skill and hard work of our operational team in South Africa who continue to demonstrate remarkable commitment to the Company. The results of the metallurgical test have also had a positive impact on ore resource targets and the life of mine and further information will be provided to Shareholders with the publication of the pre-feasibility study expected in the next quarter.

Trading at Mercury Recycling continues to be challenging and the Directors continue to explore a number of options to improve the performance of this segment of the business.

I was delighted that Rupert Fraser agreed to join the Board as a non-executive director in October 2012. Rupert brings a wealth of capital markets experience and has already made a very positive impact on the Company.

On behalf of the Board, I would like to thank all of our shareholders for their support since the Company listed on AIM. Ironveld has had a very productive six months since its inception and the operational results to date give me confidence that the Company is well positioned to continue its progress in the year ahead.

### **Financial**

We were very pleased to gain Admission to the AIM market in August 2012. In the process, we also raised a total of £3 million which provided funding for on-going exploration programme as well as working capital requirements.

Following the acquisition of Ironveld, the company has re-assessed its overall operating strategy and focus. The Directors have therefore re-assessed the carrying value of Mercury Recycling Limited and have taken the decision to impair the goodwill in full.

### **Summary**

The Board and management team are committed to delivering a viable, long term project producing pig iron and vanadium by products that will benefit not only the Company and its Shareholders but just as importantly the people of the Bushveld region and South Africa itself.

Giles Clarke  
**Chairman**

March 2013

**IRONVELD PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>6 Months ended 31.12.12 £'000</b>	6 Months ended 31.12.11 £'000	<b>12 Months ended 31.12.12 £'000</b>	Year ended 31.12.11 £'000
Revenue	<b>1,044</b>	1,165	<b>2,090</b>	2,537
Cost of sales	<b>(84)</b>	(65)	<b>(182)</b>	(148)
<b>Gross profit</b>	<b>960</b>	1,100	<b>1,908</b>	2,389
Administrative expenses	<b>(1,353)</b>	(1,213)	<b>(2,418)</b>	(2,420)
Impairment of goodwill	<b>(4,122)</b>	-	<b>(4,122)</b>	-
<b>Operating loss</b>	<b>(4,515)</b>	(113)	<b>(4,632)</b>	(31)
Investment revenues	<b>11</b>	-	<b>11</b>	-
Gain on acquisition	<b>97</b>	-	<b>97</b>	-
Finance costs	<b>(13)</b>	(2)	<b>(14)</b>	(4)
Loss before taxation	<b>(4,420)</b>	(115)	<b>(4,538)</b>	(35)
Taxation	<b>17</b>	(19)	<b>64</b>	(6)
<b>Loss for the period</b> (Attributable to owners of the company)	<b>(4,403)</b>	(134)	<b>(4,474)</b>	(41)
Loss per share :				
Basic (pence)	<b>(1.99)</b>	(0.37)	<b>(3.46)</b>	(0.11)
Diluted (pence)	<b>n/a</b>	n/a	<b>n/a</b>	n/a

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Loss for the period	<b>(4,403)</b>	(134)	<b>(4,474)</b>	(41)
Exchange differences on the translation of foreign operations	<b>(819)</b>	-	<b>(819)</b>	-
Total comprehensive income for the period	<b>(5,222)</b>	(134)	<b>(5,293)</b>	(41)

**IRONVELD PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2012**

	As at 31.12.12 £'000	As at 31.12.11 £'000
<b>Non-current assets</b>		
Goodwill	-	4,122
Exploration and evaluation assets	<b>26,081</b>	-
Property, plant and equipment	<b>1,165</b>	1,265
	<b>27,246</b>	5,387
<b>Current assets</b>		
Trade and other receivables	<b>549</b>	465
Cash and bank balances	<b>1,913</b>	343
Current tax assets	-	18
	<b>2,462</b>	826
<b>Total assets</b>	<b>29,708</b>	6,213
<b>Current liabilities</b>		
Trade and other payables	<b>(309)</b>	(234)
Bank overdrafts and loans	<b>(44)</b>	(68)
	<b>(353)</b>	(302)
<b>Non-current liabilities</b>		
Trade and other payables	<b>(17)</b>	(24)
Loans	<b>(945)</b>	(88)
Deferred tax liabilities	<b>(6,978)</b>	(167)
	<b>(7,940)</b>	(279)
<b>Total liabilities</b>	<b>(8,293)</b>	(581)
<b>Net assets</b>	<b>21,415</b>	5,632
<b>Equity</b>		
Share capital	<b>6,080</b>	3,583
Share premium	<b>14,062</b>	235
Other reserves	<b>21</b>	386
Retained earnings reserve	<b>(3,491)</b>	1,428
<b>Equity attributable to owners of the company</b>	<b>16,672</b>	5,632
<b>Non-controlling interests</b>	<b>4,743</b>	-
<b>Total equity</b>	<b>21,415</b>	5,632

**IRONVELD PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 July 2011 (Restated)	3,583	235	386	1,562	5,766
Loss for the period	-	-	-	(134)	(134)
<b>Balance at 31 December 2011</b>	<b>3,583</b>	<b>235</b>	<b>386</b>	<b>1,428</b>	<b>5,632</b>
Balance at 1 January 2012	3,583	235	386	1,428	5,632
Loss for the period	-	-	-	(71)	(71)
<b>Balance at 30 June 2012</b>	<b>3,583</b>	<b>235</b>	<b>386</b>	<b>1,357</b>	<b>5,561</b>
Balance at 1 July 2012	3,583	235	386	1,357	5,561
Loss for the period	-	-	-	(4,403)	(4,403)
Transfer	-	-	(365)	365	-
Exchange differences on the translation of foreign operations	-	-	-	(819)	(819)
Equity share based payments	-	-	-	9	9
Issue of share capital (net)	2,497	13,827	-	-	16,324
<b>Balance at 31 December 2012</b>	<b>6,080</b>	<b>14,062</b>	<b>21</b>	<b>(3,491)</b>	<b>16,672</b>

**IRONVELD PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

	<b>6 Months ended 31.12.12 £'000</b>	6 Months ended 31.12.11 £'000	<b>Year ended 31.12.12 £'000</b>	Year ended 31.12.11 £'000
<b>Net cash from operating activities</b>	<b>(193)</b>	36	<b>(310)</b>	169
<b>Investing activities</b>				
Interest received	11	-	11	-
Exploration and evaluation expenditure	(702)	-	(702)	-
Purchases of plant and equipment	(29)	(78)	(118)	(153)
Proceeds on disposal of plant and equipment	4	-	4	-
Loans receivable advanced	(72)	-	(72)	-
Acquisition of subsidiary (net cash acquired)	4	-	4	-
<b>Net cash used in investing activities</b>	<b>(784)</b>	<b>(78)</b>	<b>(873)</b>	<b>(153)</b>
<b>Financing activities</b>				
Repayment of borrowings	(31)	(35)	(67)	(69)
New loans raised	149	-	149	-
Net proceeds on issue of shares	2,621	-	2,621	-
<b>Net cash used in financing activities</b>	<b>2,739</b>	<b>(35)</b>	<b>2,703</b>	<b>(69)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>1,762</b>	(77)	<b>1,520</b>	(53)
<b>Cash and cash equivalents at the beginning of period</b>	<b>101</b>	420	<b>343</b>	396
Effect of foreign exchange rates	45	-	45	-
<b>Cash and cash equivalents at end of period</b>	<b>1,908</b>	343	<b>1,908</b>	343
<b>Note to the cash flow statement</b>				
Operating loss	(4,515)	(113)	(4,632)	(31)
Depreciation	97	177	195	297
Impairment of goodwill	4,122	-	4,122	-
Share based payment expense	9	-	9	-
Decrease in deferred income	(4)	(4)	(9)	(9)
Loss on disposal of plant and equipment	15	-	25	-
Operating cash flows before movements in working capital	(276)	60	(290)	257
Movement in receivables	177	65	(48)	(19)
Movement in payables	(93)	(57)	30	(35)
Cash (used in) / generated by operations	(192)	68	(308)	203
Interest paid	(1)	(2)	(2)	(4)
Tax paid	-	(30)	-	(30)
<b>Net cash from operating activities</b>	<b>(193)</b>	36	<b>(310)</b>	169

**IRONVELD PLC**  
**NOTES TO CONSOLIDATED ACCOUNTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

**1. Basis of preparation and accounting policies**

The results for the six months to 31 December 2012 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU and International Accounting Standards Board.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those financial statements.

The financial information does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. Full accounts of the company for the year ended 31 December 2011 on which the Auditors gave an unqualified report, have been delivered to the Registrar of Companies.

**2. Loss per share**

The calculation of basic and diluted loss per share is based upon the loss for the period and the weighted average number of shares in issue during the period.

	<b>6 months to 31.12.12</b>	6 months to 31.12.11	<b>12 months to 31.12.12</b>	Year to 31.12.11
	<b>'000</b>	'000	<b>'000</b>	'000
Weighted average number of shares	<b>221,784</b>	35,827	<b>129,314</b>	35,827
Options - dilution		-	-	-
	<b>221,784</b>	35,827	<b>129,314</b>	35,827
	<b>pence</b>	pence	<b>pence</b>	pence
Basic loss per share	<b>(1.99)</b>	(0.37)	<b>(3.46)</b>	(0.11)
Diluted earnings per share	<b>N/a</b>	N/a	<b>N/a</b>	N/a

As the Group reports a loss for each of the periods, then in accordance with IAS 33, the share options and warrants in issue are not considered dilutive.

**3. Acquisition of subsidiary**

On 16 August 2012, the Group acquired 100% of the issued share capital of Ironveld Hold Co (Mauritius), a holding company of a group involved in mining and exploration of iron ore in South Africa. The identifiable assets and liabilities acquired were as follows:-

	£'000
Exploration and evaluation assets	26,146
Other assets	928
Financial liabilities	(903)
Deferred taxation	(7,320)
Non-controlling interest	(5,050)
Identified bargain purchase gain	(97)
	<u>13,704</u>
Settled by the issue of equity shares	<u>13,704</u>

The acquired Group has no turnover and reported a loss of £17,000 for the period since acquisition.

The Company has identified a potential gain on the acquisition of the Prospecting Rights £97k but has not yet completed its re-assessment of the acquisition. We will complete a full re-assessment before the year-end results are announced.

**IRONVELD PLC**  
**NOTES TO CONSOLIDATED ACCOUNTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2012**

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**4. Register office and copies of the report**

The registered office is Ironveld Plc, Lakeside Fountain Lane, St Mellons, Cardiff, CF3 0FB and copies of this report are available from the registered office.

## INDEPENDENT REVIEW REPORT



St. James Building  
79 Oxford Street  
Manchester M1 6HT

### TO IRONVELD PLC

#### Introduction

We have reviewed the accompanying balance sheet of Ironveld Plc as at 31 December 2012 and the related statements of income, changes in equity, cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 31 December 2012, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as applicable in the United Kingdom.

UHY Hacker Young Manchester LLP  
Chartered Accountants  
Manchester

March 2013



**IRONVELD PLC (FORMERLY MERCURY RECYCLING GROUP PLC)  
ADVISORS AND OTHER INFORMATION  
FOR THE PERIOD ENDED 30 JUNE 2012**

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<b>Directors</b>	Giles Clarke Peter Cox Terry McConnachie Nicholas Harrison Rupert Fraser	(Chairman) (Chief Executive) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
<b>Secretary</b>	Kirsti Jane Pinnell	
<b>Company Number</b>	04095614	
<b>Registered Office</b>	Ironveld Plc Lakeside Fountain Lane St Mellons Cardiff, CF3 0FB	
<b>Nominated Advisor and Broker</b>	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU	
<b>Solicitors</b>	Kuit Steinart Levy 3 St Marys Parsonage Manchester M3 2RD	
<b>Auditors</b>	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT	
<b>Bankers</b>	The Co-operative Bank Plc PO Box 101 1 Balloon Street Manchester M60 4EP  HSBC 97 Bute Street Cardiff CF10 5NA	
<b>Registrars</b>	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	