Ferrex plc / Index: AIM / Epic: FRX / Sector: Mining

28 February 2013

Ferrex plc ('Ferrex' or 'the Company' or 'the Group')
Final Results

Ferrex plc, the AIM quoted exploration and development company focussed on advancing low capital intensive iron ore and manganese deposits in Africa through the development cycle and into production, is pleased to announce final results for the year ended 30 September 2012.

Overview:

- Continuing to establish position as a leading low-capex iron ore and manganese exploration and development company with near-term production potential in Africa
- Strengthened iron-ore portfolio through the acquisition of a new DSO project, Mebaga in Gabon
- Fast-tracked Malelane iron-ore project from drill status through to scoping study stage
    - Maiden JORC code compliant resource delineated of 139Mt at 37% Fe
    - Scoping study indicates robust economic potential of constructing a 1.8Mt Fe per annum operation with a 16.6 year mine life producing a 57% Fe product
- Definitive Feasibility Study underway at Nayega manganese project in Togo
    - Upgraded JORC Code compliant resource to 7.3Mt at 14.7% Mn in the Indicated category
    - Initial scoping studies indicate that simple beneficiation to produce a 38% Mn product is feasible
    - Projected low capital cost of less than US$15m for up to 250,000t of product per annum and operating costs of US$2/dmtu FOB
- Exploration programme planned at Leinster manganese project in South Africa to define a JORC code compliant resource in 2013
- Continue to identify and assess new project opportunities which complement low-capex/ near to infrastructure/early production investment criteria
- Strengthened Board and Management team with the appointment of James Carter as Finance Director to the Board, Justin Longley as General Manager of West Africa and Gus Simbanegavi as Project Manager of Malelane iron project in South Africa

Ferrex's Managing Director Dave Reeves said, "We are delighted with the operational progress made during the year which has focussed on fulfilling the near term, low cost production potential of our high quality iron ore and manganese portfolio in Africa.

"At our Nayega manganese project in Togo, we are currently conducting a Definitive Feasibility study with the view of developing a simple open pit 250,000tpa operation in the near-term which will generate early cash-flow to fuel exploration across our asset base.

“In addition, at our Malelane iron ore project in South Africa, our work during the year, including the identification of a maiden JORC resource and the publication of a Scoping Study, has demonstrated the project’s robust economics and its low-cost nature. Over the coming months, we are focussed on building on these findings to both improve the scale and optimise its economics which will provide us with regular news flow. In addition, post-period end, we acquired a highly exciting Mebaga DSO iron ore project in Gabon, which complements our investment strategy of developing low-capex projects which are close to infrastructure and offer an early route to production.

“With these developments in mind, I believe we are in a strong position to hit our key milestones in 2013 and generate significant value uplift for shareholders as we continue to fast-track our portfolio up the development curve with a view of production in the near term.”

Chairman’s Statement

This has been a period of great progress for Ferrex as we continue to establish ourselves as a leading low-capex iron ore and manganese exploration and development company with near-term production potential in Africa.

Our strategy is focussed on targeting assets close to established infrastructure which offer near-term value uplift through rapid resource development and an early route to production. In order to implement this, we have a proven Board and management team in place which has been involved in developing mining projects and investments in excess of US$1 billion.

With this in mind, we have a solid portfolio of assets including four primary projects. Our iron ore portfolio consists of the Malelane iron project in South Africa, where we have completed a scoping study, and the recently secured Mebaga iron ore project in Gabon which has significant Direct Shipping Ore (‘DSO’) potential. On the manganese side, we hold the Nayega manganese project, where we are currently conducting a Definitive Feasibility Study (‘DFS’) with a view to commencing development in H2 2013, and in-turn generating early cashflow for Ferrex; and our Leinster manganese asset in the prospective Leinster Basin in South Africa.

In line with our strategy to build a leading iron ore and manganese exploration and development company, we also continue to identify and assess new resource opportunities which complement our investment criteria. We still have three applications outstanding for possible DSO projects in Africa that we hope to secure in the next year.

This quality portfolio of assets and prospective pipeline opportunities offers significant growth potential for investors as we advance them up the development curve through the feasibility stages and into production to become a low-cost producer of minerals for the steel industry.

Iron ore – Malalane, South Africa

In terms of our iron ore portfolio, the Malelane project incorporates prospecting rights over a 4,192Ha tenement in the prospective Mpumalanga region in South Africa, part of the Archean Barberton Greenstone Belt. The project has three distinct banded iron formation ('BIF') horizons with a combined strike length of 14km and mapped horizontal widths of up to 300m. A further highlight of Malelane is its close proximity to excellent infrastructure, just 6km away from an electrified railway line, 170km from the deep-water port of Maputo, making it an ideal prospect for Ferrex to develop as a low-capex mining operation.

We have made considerable progress at Malelane during the year which has seen us successfully develop the project up the resource development curve towards the feasibility stage. In the first half of the year we completed our second drilling programme over the northern most part of the BIF which measures 1.1km of the 14km identified. In March 2012 we were delighted to announce a maiden resource at Malelane of 139Mt at 37% Fe with 4.9Mt of higher grade zones defined at 52.2% Fe, illustrating DSO and beneficiated before shipping ore potential of the project.

Unlike many other iron ore deposits where a large resource has to be identified to justify the economics of the project due to infrastructure constraints, Malelane shows solid potential to be developed into a profitable mining operation with an Inferred 139Mt JORC code compliant resource identified over only 1.1km of the 14km BIF within the tenure due to its close proximity to an electrified railway line and the low 1.55:1 stripping ratio.

The potential commerciality of the project was further confirmed upon completion of a Scoping Study announced 7 January 2012. The results indicate the robust economic potential of constructing a 1.8Mt per annum operation producing a 57% Fe, 6mm product. Figures for the project overall include an Internal Rate of Return ('IRR') of 72%, a Net Present Value ('NPV') of US$523m (pre-tax) at a discount rate of 10%, a capital cost of US$139m and capital intensity which places it in the lowest quartile for capital intensity of new iron ore projects globally.

In preparation for a mining lease application, environmental studies and social and labour plan drafting has commenced. These results will also be fed into the Pre-Feasibility study that is due to be finalised in 2013.

In terms of our skill set on the ground of Malelane, we strengthened our team in October 2012 through the appointment of Gus Simbanegavi. Gus will act as Project Manager and will oversee the development of Malelane as we advance the project

With these developments in mind, I look forward to reporting on Malelane's progress as we continue to advance it up the mining curve and unlock its intrinsic value.

Mebaga, Gabon

On 14 January 2013 we were delighted to announce that we were granted a 309 sq km exploration licence in Gabon, West Africa over the high-grade DSO Mebaga iron ore deposit ('Mebaga'). This move into Gabon is an exciting step for the Company and provides us with another growth opportunity in the iron ore sector, complementing our corporate strategy of targeting high quality, low-capex projects, which are near to infrastructure, which offer near-term resource potential and in-turn production potential for Ferrex.

Under the terms of the agreement, we have secured an 82% interest in Mebaga through our holding in Gabonese holding company Resources Equatoriales SARL ('Equatorial'). Equatorial holds a granted exploration licence covering an area of 309 sq km, just 30km from a sealed highway that links directly to the Trans-Gabon rail line.

Mebaga is located within an extensive high grade iron ore province which extends from Gabon into the Republic of Congo ('ROC') and Cameroon. Deposits in the district include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). Importantly, Mebaga is the nearest DSO iron ore project to the Atlantic of any in this prolific iron province.

Iron ore mineralisation in the province is hosted in Archean banded iron formation ('BIF') horizons. In Gabon, these rocks belong to the Belinga Supergroup. Gabonese Government geology maps show that BIF within the Mebaga licence area is exposed over a strike length of more than 20km at widths up to 2km.

In the early 1960s, the Bureau de Recherches Géologiques et Minières ('BRGM') completed reconnaissance evaluation in the Ngama district and targeted pitting of high grade iron exposures at Mebaga. Ferrex has access to the data generated by the BRGM. A total of 95 pits were excavated, to depths up to 29.4m below surface, on several iron occurrences. A number of the pits returned high grade iron intercepts in vertical channel samples, including results such as 27m @ 58.4% Fe (mineralised from top to bottom); 18.5m @ 57.5% Fe (mineralised to bottom) and 10.5m @ 61.4% Fe (mineralised to bottom). Pitting identified a coherent zone of mineralisation extending along strike for about 1.8km. Cross sections constructed by the BRGM indicate that mineralisation is interpreted to dip at a shallow to moderate angle and is inferred to be at least 30-35m thick in places.

As a result of this work, the BRGM estimated there is a ‘potential resource’* (equivalent to an exploration target) of 20Mt @ 60% Fe and a larger, lower grade target of 50Mt @ 47% Fe. The lower grade material will be assessed to ascertain if it can be easily upgraded via screening beneficiated DSO (‘bDSO' iron ore), which could add significantly to the exploitable tonnage of the deposit.

Ferrex is implementing a fast-tracked exploration plan targeting the definition of high grade iron ore resources. Geophysical data (aeromagnetic and radiometric) will be purchased and processed. Reconnaissance and detailed geological mapping will commence as soon as access to the BIF trend has been established. A drill programme will be planned and implemented once the geophysical and geological (from mapping) data have been interpreted.

Manganese – Nayega, Togo

In terms of our Manganese portfolio, during the period under review we have made exceptional progress at our Nayega manganese project in northern Togo. Since our Admission to AIM in July 2011 we have completed many development milestones at Nayega and fast-tracked it towards the definitive feasibility status with a view of advancing the project as an simple, low-strip, open pit operation with production at the end of 2013. In light of this, Nayega is set to be our first productive and cash generative project.

The Nayega deposit is unique due the manganese minerals, spread over an area of 3km by 1km, ranging in size from flakes to cobbles, overlying a manganiferous clay horizon in which hard manganese oxide fragments are distributed. The clay horizon is up to 10m thick and the hard fragments are thought to be derived from narrow veins of massive manganese mineralization that cut the underlying sandstone. This mineralisation suggests suitability for a shallow open pit operation.

The project, like the rest of our portfolio is ideally located to allow for easy transportation of product produced. It’s positioned just 30km from a main road which has direct access to the major deepwater port of Lome 600km away and has 350,000t per annum backloading space availability.

A major value trigger was achieved in May 2012 when we defined a maiden resource of 6.3Mt @ 14.1% manganese (‘Mn’) at Nayega. The resource was calculated from results of 77 pits dug on 100m centres along east-west lines spaced 200m apart on the deposit and illustrated the prospectivity the project. From here we undertook further pitting work consisting of 153 pits dug on 100m centres to improve the confidence of our resource and in September 2012 we were delighted to report an upgrade to the Indicated category of 7.3Mt at 14.7% Mn. This represented a 16% increase in tonnage, a 4% increase in grade and a 21% increase in contained manganese tonnes from our maiden resource.

Further regional evaluation work of the 92,930 Ha area enveloping the main Nayega deposit is on-going and has delineated two targets that were further explored by pitting.

A total of 122 rock samples were taken and returned manganese values ranging up to 39%. To date 23 pits have been dug for 95m and 103 continuous vertical channel samples taken. We look forward to reporting further results from our regional programme in due course.

Metallurgical test work and an initial scoping study was also carried out in the first half of 2012 to further prove the project's economic viability as a simple, open pit, no strip operation with potential for beneficiation through screening and gravity separation. The results were highly positive and confirmed that a simple beneficiation route can be utilised with straight forward scrubbing, crushing, and gravity products which will upgrade the product to a saleable product of 38% Mn. Additionally, initial scoping costs have illustrated a very low capital cost of less than US$15m for up to 250,000t of product per annum and operating costs of US$2/dmtu FOB.

We are currently in the midst of completing a Definitive Feasibility Study due for H1 2013 which will further define the low-capex positive economics of this project. From here we will update the market on our development plans as we look to build a processing operation during 2013.

Leinster, South Africa

Our secondary manganese project is the 46,868 hectare Leinster manganese project based in the Northern Cape and North West Provinces of South Africa forms our fourth development project in our portfolio. The Leinster project is in the Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest metallogenic province of manganese mineralisation in the world.

Interestingly it's only 20 km north of Aquila Resources' Avontuur project, which hosts a JORC resource of 147.8Mt at 38.2% Mn. Our Leinster deposit lies at an average depth of 80m and is envisaged to be a small underground operation with ore trucked or railed to port for the export market.

During the period, we were pleased to announce that we had secured the Prospecting Right over the Tweed Farm, representing the final of ten farms to be granted within the highly prospective tenement area. Further to this we were also granted approval from the Department of Mineral Resources of South Africa, under section 11 of the MPRDA to take control of Umbono Minerals Holdings (Pty) Limited which held the exploration rights over the project area and which subsequently has increased our interest in Leinster from 49% to 74%.

In terms of previous exploration, Anglo American drilled 51 holes on the Leinster property between 1977 and 1988. Using this information, Coffey Mining calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn for Leinster on behalf of Ferrex. The target is open in all directions.

In September 2012 we carried out a high resolution airborne magnetic/ radiometric survey flown by Xcalibur Airborne Geophysics. The results are currently being processed and are expected to significantly improve our understanding of Leinster's local geology and assist in drill targeting of high grade mineralisation zones in the district that will be undertaken in the this year to allow a maiden JORC compliant resource to be calculated.

Board and Management

Additionally during 2012, we were delighted to announce a number of new appointments both to the Board and to the management team.

James Carter joined the Board from our management team in 12 June 2012 as Finance Director. Jim has provided great support to the Company since admission to AIM in July 2012 and with over 18 years of commercial, financial and M&A experience in the resource industry, we look forward to utilising his extensive skill set during this highly active time.

In May 2012, we were also pleased to welcome Justin Longley as General Manager of West Africa. His extensive experience evaluating and developing commercial mining and processing operations in Africa will be highly beneficial as we continue to fast-track our Nayega manganese project in northern Togo and begin development of our newly acquired Gabonese Mebaga iron ore project. Additionally as mentioned earlier in my statement we were pleased to welcome Gus Simbanegavi as a South African Country Manager, to oversee the development of Malelane.

Financial

The loss before and after tax for year ended 30 September 2012 was £1,500,000 before non-controlling interests (2011: £880,000). As the Group only commenced full operations following AIM admission in July 2011 the results for the period ended 30 September 2011 do not provide a meaningful comparison.

On 25 January 2013 we announced a placing to raise further equity capital of £2.165m before expenses. Of this amount, £200,000 was subscribed by Directors. We are seeking to arrange for offtake and similar finance to enable us to bring the Nayega project into production, and therefore to make the group as a whole cash flow positive.

Conclusion

To conclude, we have made significant progress advancing our key iron ore and manganese assets up the development curve and towards production and I believe the strength of Ferrex's investment case is clearly evident. Major milestones achieved include defining a maiden resource at our Malelane iron ore project in South Africa and completing a Scoping Study which underpins the economic viability of developing a 1.8Mt per annum open pit mining operation; calculating an Inferred resource and commencing a Definitive Feasibility Study at a Nayega deposit which looks set to become our first mining project to go into production; and acquiring a new DSO iron ore project which complements our investment criteria of looking for quality low-capex projects with near-term resource potential which are close to good infrastructure.

With these developments in mind, and the required funding in place, we have all the foundations in place from which to deliver robust growth for the Company during 2013. This should prompt a re-rating of Ferrex as the market recognises the quality of our iron ore and manganese portfolio in Africa which offers significant value upside as each is advanced with a view of near-term production.

Finally, as Chairman and fellow shareholder of Ferrex, I would like to thank our excellent management team and employees led by Dave Reeves. I would also like to take this opportunity to thank our shareholders for their continued support.

B Moritz, Chairman
28 February 2013

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Loss attributable to:

	2012 £'000	23-Aug-10 to 30-Sep-11 £'000
Revenue	-	-
Cost of sales	-	-
Gross loss	-	-
Administrative and exploration expenses	(1,500)	(885)
Loss from operating activities	(1,500)	(885)
Finance income	-	5
Finance costs	-	-
Net finance costs	-	5
Loss before tax	(1,500)	(880)
Taxation	-	-
Loss or the year	(1,500)	(880)
Other comprehensive income		
Exchange translation on foreign operations	14	24
Total comprehensive loss for the year	(1,486)	(856)
Owners of the Company	(1,428)	(824)
Non-controlling interests	(72)	(56)
Loss for the year	(1,500)	(880)
Total comprehensive income attributable to:		
Owners of the Company	(1,414)	(806)
Non-controlling interests	(72)	(50)
Total comprehensive loss for the year	(1,486)	(856)
Loss per share		
Basic and diluted loss per share (pence)	(0.251)	(0.177)

Consolidated Statement of Financial Position
As at 30 September 2012

	2012 £'000	2011 £'000

Assets		
Property, plant and equipment	36	21
Intangible assets and goodwill	3,160	1,925
Equity-accounted investees	-	111
Non-current assets	3,196	2,057
Debentures	-	-
Trade and other receivables	76	157
Cash and cash equivalents	127	1,683
Current assets	203	1,840
Total assets	3,399	3,897
Equity		
Share capital	3,049	2,598
Share premium	2,369	1,922
Reserves	95	31
Retained deficit	(2,252)	(824)
Equity attributable to owners of the Company	3,261	3,727
Non-controlling interests	(122)	(50)
Total equity	3,139	3,677
Liabilities		
Trade and other payables	260	220
Current liabilities	260	220
Total liabilities	260	220
Total equity and liabilities	3,399	3,897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Share capital £'000	Share premium £'000	Share option reserve £'000	Exchange reserve £'000	Retained deficit £'000	Total £ '000	Non-controlling interests £'000	Total equity £'000
Balance at 1 October 2011	2,598	1,922	13	18	(824)	3,727	(50)	3,677
Loss for the year	-	-	-	-	(1,428)	(1,428)	(72)	(1,500)
Total other comprehensive income	-	-	-	14	-	14	-	14
Total comprehensive loss for the period	-	-	-	14	(1,428)	(1,414)	(72)	(1,486)
Issue of ordinary shares	451	460	-	-	-	911	-	911
Costs of share issue	-	(13)	-	-	-	(13)	-	(13)
Share based payment transactions	-	-	50	-	-	50	-	50
Total contributions by and distributions to owners of the Company	451	447	50	-	-	948	-	948

Balance at 30 September 2012	3,049	2,369	63	32	(2,252)	3,261	(122)	3,139

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	2012	**2011**
	£'000	**£'000**
Cash flows from operating activities		
Loss for the period	(1,500)	(880)
Adjustments for:		
Depreciation	14	6
Foreign exchange differences	89	86
Equity-settled share-based payment transactions	50	13
Provisions against loans	-	119
	(1,347)	(656)
Changes in:		
- trade and other receivables	81	(254)
- trade and other payables	140	222
Cash used in operating activities	(1,126)	(688)
Interest received	-	(5)
Net cash used in operating activities	(1,126)	(693)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(27)	(29)
Exploration expenditure	(844)	(184)
Investment in associate undertaking	-	(111)
Cash acquired with subsidiary	-	3
Net cash used in investing activities	(871)	(321)
Cash flows from financing activities		
Proceeds from issue of share capital	465	2,741
Net cash flows from financing activities	465	2,741
Net (decrease)/ increase in cash and cash equivalents	(1,532)	1,727
Cash and cash equivalents at beginning of year	1,683	-
Effect of exchange rate fluctuations on cash held	(24)	(44)
Cash and cash equivalents at 30 September	127	1,683

1. The financial information contained in this announcement does not comprise full statutory accounts.

2. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared on the historical cost basis.

3. No dividend is proposed in respect of the period.

4. The Annual General Meeting will be held on 22 March 2013 at 11 a.m. at the Hilton Hotel, Seven Hills Road South, Cobham, Surrey KT11 1EW. A formal notice of AGM along with the Annual Report and Accounts will be sent to shareholders today and can be found on the Company's website www.ferrexplc.com.

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