THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS DEFINED IN ARTICLE 7 OF THE MARKET ABUSE REGULATION NO. 596/2014 ("MAR"). UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

Ironveld Plc

("Ironveld" or the "Company")

Terms Agreed for Smelter Acquisition

Ironveld (AIM: IRON) is pleased to announce that it has signed Heads of Terms to acquire 100 per cent of the share capital of Ferrochrome Furnaces (Pty) Limited ("FCF") (the "Acquisition") which will provide Ironveld with an existing smelting facility and the opportunity to commence mining and processing in the short term.

Highlights

- FCF, which is in Business Rescue, owns a mothballed smelter complex in Rustenburg, South Africa;
- Ironveld has agreed with the Business Rescue Practitioners, Tayfin Forensic and Investigative Auditors ("Tayfin"), to acquire the share capital of FCF for a nominal fee and to purchase outstanding debt from the sole creditor on the following terms:
  - ZAR 15 million (approximately £0.75 million) payable upon completion; and
  - ZAR 100 million (approximately £5.0 million) over 10 years calculated as a percentage of profits from the smelter, capped at 13.5 per cent per annum;
- The Acquisition remains subject to final contract and certain other conditions precedent;
- Ironveld retains deal exclusivity until 19 August 2022 (the "Exclusivity Period");
- Ironveld has planned a refurbishment work programme for the smelter facility of up to nine months, costing ZAR 40 - 65 million (approximately £2.0 - 3.2 million);
- The smelter complex comprises four 2.5 MW Electric Arc Furnaces ("EAFs") and associated converters, of which Ironveld plans to refurbish three during the upgrade works thereby allowing for 7.5 MW capacity, capable of processing approximately 40,000 tonnes of ore per annum. The fourth EAF will be held in reserve for future refurbishment, with the potential of increasing total processing capacity or for outsourcing;
- Ironveld has signed a Letter of Intent with Enernet Global Inc. to build, own, operate and maintain a hybrid power plant using renewable energy which will provide Ironveld with security of power supply on a Capex-free basis;
- Ironveld has worked closely with Grosvenor Resources (Pty) Limited ("Grosvenor") regarding the Acquisition, which has formed a key part of Grosvenor's own ongoing funding applications;
- In the event that Grosvenor is unable to complete its financing during the Exclusivity Period, Ironveld will arrange, and is already considering, alternative ways to finance the Acquisition and refurbishment of the plant;
- In anticipation of completion of the transactions in the coming months Ironveld has entered into Bridge Funding agreements totalling £300,000; and
- Following refurbishment of the smelter facility, Ironveld will be able to produce and sell its key products (high purity iron, vanadium in slag and titanium in slag), through its

existing offtake contracts or marketing agreements. First sales are anticipated within 12 months of completion of the Acquisition.

Martin Eales, Chief Executive Officer of Ironveld, said:

“The acquisition of the smelter is a major development and milestone for the Company. We have a refurbishment plan ready to execute, which we estimate will take nine months, and thereafter we anticipate first sales within 12 months of the Acquisition. Our existing offtake contracts and marketing agreements, as well as all the necessary environmental and operational permits that are already in place, provide us with the ability to accelerate the Company’s pathway to production and cash flow far more quickly and for less cost than if we were to construct a new smelter

“As part of our refurbishment plan, it is exciting to have the opportunity to build and supply our operation with renewable energy via a hybrid power plant, reducing risks to the project and enhancing its Environmental Social Governance credentials.

“Our final products; high purity iron, vanadium in slag and titanium in slag, are required for the green economy and will therefore supply growing markets. End products include vanadium redox and other batteries and 3D printing in industries such as transport and renewable energy.

“I am pleased that we maintain a positive working relationship with Grosvenor and we have been working closely with its principals over the past few months regarding the Acquisition.

“I look forward to keeping shareholders updated on the Acquisition and as we come closer to breaking ground.”

Acquisition of FCF

Ironveld, through its subsidiary company Ironveld Smelting Proprietary Limited, has agreed with Tayfin to purchase 100 per cent of FCF. The purchase price of the share capital is ZAR 980 (approximately £50) and in addition Ironveld has agreed to purchase a total of ZAR 115 million (approximately £5.75 million) of outstanding debt from the sole creditor, payable as ZAR 15 million (approximately £0.75 million) upon completion and ZAR 100 million (approximately £5.0 million) over 10 years based on a share of profits from the smelter facility capped at 13.5 per cent per annum.

The transaction is subject to contract and other standard conditions precedent and the parties have agreed a three month Exclusivity Period for completion.

FCF owns a mothballed smelter complex in Rustenburg, South Africa which is approximately 400 kilometres from Ironveld’s Bushveld mining project. The complex consists of four 2.5 MW tilting EAF furnaces and four convertors with ladles, cranes and associated buildings and equipment. Ironveld, in conjunction with technical experts, has carried out a comprehensive due diligence on FCF over the past eight months. This has included a detailed costing for the refurbishment of the facility and quotations for the necessary equipment and upgrades.

Following the Acquisition, Ironveld has a planned refurbishment programme of up to nine months at a cost of approximately ZAR 40 - 65 million (approximately £2.0 - 3.2 million), to bring three of the four EAFs into production on a phased basis. Processing can commence from the first furnace whilst the others are being brought back into production, thereby accelerating cash flow from sales, the first receipts of which Ironveld expects to secure within 12 months of the Acquisition.

Once three furnaces are fully operational, the complex will be capable of processing approximately 40,000 tonnes of Ironveld's magnetite ore per annum which, in turn, will provide the following approximate quantities of finished products per annum: 20,000 tonnes of high purity iron; 190 tonnes of vanadium in slag; and 3,800 tonnes of titanium in slag.

The smelter complex is currently supplied with electricity from the national grid. Ironveld has however signed a Letter of Intent with Enernet Global Inc. to build, own, operate and maintain a hybrid power plant using renewable energy which will provide Ironveld with security of power supply on a Capex-free basis.

All necessary environmental and other operational permits are in place for the smelter complex to enable Ironveld to commence production.

Mining of ore can commence within six weeks of completion of the Acquisition and ore will be stockpiled at the smelter complex whilst the furnace refurbishment is taking place. Ironveld intends to use mining contractors on site to minimise capital expenditure and will also use community-based transportation companies to transport ore from the mine to the smelter complex.

In the last published accounts of FCF, dated 28 February 2020, the value of Total Assets was stated as ZAR 98.3 million (approximately £5.0 million) and the net loss recorded for the year was ZAR 798.4 million (approximately £40.0 million), which principally comprised finance costs and foreign exchange adjustments as FCF did not trade in the year.

Status of Grosvenor Transactions and Financing of the Acquisition

In October and December 2021 Ironveld and Grosvenor announced two investment transactions totalling approximately ZAR 161 million (approximately £8.0 million), being an equity subscription for 561,505,950 new ordinary shares at 1p each and for the purchase of 51 per cent of Ironveld's subsidiary company, Luge Prospecting and Mining Company Pty Limited ("Luge").

Discussions following the signing of the agreements highlighted that Grosvenor's funding providers had a preference for physical asset-backed security and therefore the potential acquisition of the FCF smelter complex has formed a key part of discussions. Ironveld and Grosvenor have worked closely together in support of these funding proposals and Grosvenor has provided considerable support to Ironveld in advancing the Acquisition. It is anticipated that Grosvenor's transaction funding, when received, will enable the completion of the Acquisition and refurbishment. However, the Acquisition is subject to a relatively short Exclusivity Period and, despite the ongoing talks with its funders, the Company cannot assume that Grosvenor will complete in the Exclusivity Period.

Consequently, in order to minimise any risk of the Acquisition not being completed within the Exclusivity Period, Ironveld is considering alternative routes to finance the transaction. In the event that alternative financing is secured the Board would seek to continue the productive relationship it has with the Grosvenor principals and would expect to continue open dialogue in order to facilitate an alternative basis for Grosvenor to invest in the Company when it has secured funds. The Company has received indicative proposals from existing shareholders holding approximately 9.0 per cent. of the issued share capital willing to subscribe for their pro rata holding ("hold their corner") in an alternative equity fundraising of up to £5.0 million at a price of up to 1.25p per new ordinary share and an offer of alternative loan capital.

Bridge Funding Agreements

In order to finance the Company's continued low level of operational costs prior to the envisaged completion of the above transactions Ironveld has entered into loans totalling £300,000 comprising of £260,000 from existing investors (the "Bridge Loan") and £40,000 from Martin Eales, Chief Executive Officer (the "Director's Loan").

The key terms of the Bridge Loan are as follows:

- Interest on funds drawn down at eight per cent per annum;
- Arrangement fee of 1.5 per cent of the Bridge Loan value;
- Six month term;
- Repayment of any funds drawn down plus interest immediately upon receipt of Grsovenor funding or from the proceeds of an alternative source of financing at any time during the Bridge Loan term;
- A grant of 13,000,000 warrants exercisable at 1p, subject to adjustment to the Placing price of any Placing undertaken during the Bridge Loan Term.

The terms of the Director's Loan mirror those advanced to the Company by Giles Clarke and Nick Harrison signed in December 2021:

- Interest on funds drawn at seven per cent per annum;
- Arrangement fee of 2.5 per cent of the Facility value;
- Repayment of any funds drawn down plus interest immediately upon receipt of Grosvenor funding or conversion at Placing Price in the event of any future Placing; and
- Conditional upon the Grosvenor transactions completing, 2,666,667 warrants (in total) exercisable at 1.5p per share.

The loan participation by Martin Eales, Chief Executive Officer of the Company, constitutes a related party transaction pursuant to Rule 13 of the AIM Rules for Companies. The Company's independent Directors (being Giles Clarke, Nick Harrison and Peter Cox) consider, having consulted with the Company's nominated adviser, finnCap, that the terms of the Facility are fair and reasonable insofar as the Company's shareholders are concerned.

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Note: An exchange rate of ZAR19.90=GBP1.00 is assumed in this RNS