

Ironveld Plc

("Ironveld" or the "Company")

Update on Financing and Further Extension of IIG Option Agreement

Ironveld is pleased to announce that substantial progress has been made, together with its prospective strategic partner, Inclusive Investment Group Proprietary Limited ("IIG"), in securing project development funding which, if completed, would provide Ironveld with sufficient funds to start mining and production at the Company's magnetite project in South Africa.

Highlights

- IIG and Ironveld have made substantial progress in refining the funding costs required to commence mining and production, reducing the project funding total from ZAR240 million to ZAR160 million;
- Discussions are advanced with financial and development funding institutions in South Africa for the full balance of the project funding required, based on BEE-qualifying IIG becoming the major shareholder in Ironveld;
- IIG and Ironveld have agreed a further extension to the exercise date in terms of the Option Agreement between IIG and Ironveld, from 30 September 2020 to 30 November 2020;
- On grant of the Option (which is conditional), IIG can subscribe for 440,176,070 new ordinary shares in the capital of the Company at a price of 0.42 pence per Subscription Share;
- IIG will extend a loan of US\$1,000,000 (approximately £750,000) to Ironveld on completion of the Subscription. Should IIG choose to convert the loan and all accrued interest at the end of the loan term (and also assuming no further shares are issued by the Company other than those included in this announcement and constant exchange rates), it will be issued with a further 233,373,349 shares, taking its holding to 46.8 per cent. of the Company's issued share capital;
- IIG has agreed to extend an additional Bridge Loan Facility of up to ZAR3.30 million (approximately US\$200,000), unconditionally, in order to fund Ironveld through to the anticipated project financing and exercise of the Option;
- Ironveld has agreed, conditional on shareholder approval, that any Bridge Loan funds drawdown plus accrued interest, together with IIG's initial US\$250,000 Option Fee, will convert into Ironveld shares at the Subscription Price of 0.42 pence should the Option expire; and
- All other aspects of the Fundraising, comprising potential gross proceeds of US\$3.2 million, remain unchanged.

Martin Eales, Chief Executive Officer of Ironveld, said:

"We are pleased that IIG has demonstrated its continued commitment to the transaction by agreeing to the additional Bridge Loan Facility announced today. In the last three months we, together with IIG, have made substantial progress towards the start up of operations and eventual production of high purity iron powders. We have been focused on refining Ironveld's project funding costs and driving efficiencies by outsourcing aspects of the production process, including the selection of experienced mining contractors, identification of outsourced smelting capacity and the appointment of Europe-based metallurgical specialists for final stage processing of powders."

“We look forward to securing the funds necessary to commence production and bring this process to a successful conclusion in the near future.”

The grant of the Option and the Fundraising in general are wholly conditional on shareholder approval being granted at a general meeting of the Company (the "**General Meeting**") and to the Takeover Panel granting a Rule 9 Waiver*. The Company will publish a circular together with a notice to convene the General Meeting in due course. Should these conditions not be met, then the Fundraising (comprising the Subscription and Loan Facility) will not proceed, and the option fee of US\$250,000 (approximately £210,000) paid by IIG to the Company will be repayable in full. Under the terms of the revised Option Agreement, exercise of the Option must occur prior to 30 November 2020.

Capitalised terms in this announcement shall have the same meaning as in the Company's announcement of 30 March 2020 unless the context requires otherwise.

Background

Since June 2020 Ironveld and IIG have continued to work closely together in order to secure project development funding, which would facilitate the start of mining and production for Ironveld's magnetite project in South Africa.

In particular the parties have worked to refine all aspects of the production process by using outsourcing where appropriate, from mining to smelting to final production of high purity iron powders such that the project funding required has fallen substantially, from ZAR240 million (approximately US\$14.4 million) to ZAR160 million (approximately US\$9.6 million). Subject to project funding the parties have selected experienced mining contractors, incorporated outsourced smelting solutions and appointed Europe-based metallurgical facilities for final processing of powders.

Discussions are now at an advanced stage with financial and development funding institutions (based on the assumption that BEE-qualifying IIG becomes Ironveld's major shareholder) to secure the project funding required.

The transaction and project financing applications have also been impacted by the effect of lockdown restrictions in South Africa due to COVID-19, which has caused interruption at all levels of commerce.

Due to both of these factors, Ironveld has agreed to IIG's request to further extend the period during which the Option can be exercised from prior to 30 September 2020 to prior to 30 November 2020. In exchange, IIG has agreed to provide bridge funding to Ironveld so that it is capable of meeting its obligations prior to the anticipated exercise of the Option.

Option Agreement

On 30 March 2020, the Company announced that it had entered into arrangements with IIG to raise potential gross proceeds of approximately US\$3.2 million. In particular, the Company and IIG entered into an Option Agreement pursuant to which on the grant of the Option (which is conditional) IIG can subscribe for 440,176,070 new ordinary shares in the capital of the Company at a price of 0.42 pence per share ("Option"). The Option was initially set to expire on 17 June 2020 and was extended to 30 September 2020 on 10 June 2020.

IIG also agreed to extend a loan of US\$1,000,000 (approximately £750,000) to Ironveld on completion of the Subscription. Should IIG choose to convert the loan and all accrued interest at the end of the loan term (and also assuming no further shares are issued by the Company other than those included in this announcement and constant exchange rates), it will be issued with a further 233,373,349 shares, taking its holding to 46.8 per cent. of the Company's issued share capital.

In recognition of the time required to complete the proposed project financing the Company has agreed to a further extension to the exercise period of the Option to 30 November 2020.

In consideration, IIG has agreed to provide the Company with a further bridge funding facility of up to ZAR3.30 million (approximately US\$200,000) ("Bridge Loan Facility") which is intended to provide the Company with the requisite funds to continue its operations until such time as the funding package is complete.

Bridge Loan Facility

IIG has agreed to advance to Ironveld a further two tranches of ZAR1.65 million (approximately US\$100,000 each) in September 2020 and October 2020 on an unconditional and unsecured basis. The loan amounts will bear interest of 10 per cent. per annum (in line with the cost of borrowing in South Africa). Any loan amounts plus interest will be convertible into New Ordinary Shares in Ironveld at a price of 0.42 pence per New Ordinary Share on completion of the exercise of the Option or failing such exercise, on the date being five business days after 30 November 2020 or such later date as agreed between the parties. If the Resolutions are not passed on or before 30 November 2020, any loan amounts plus interest will instead be convertible into Existing Ordinary Shares in Ironveld at a price of 1 pence per Existing Ordinary Share. If the Bridge Loan Facility is converted into New Ordinary Shares, the amount of the Option and therefore the number of Subscription Shares to be issued pursuant to its exercise will be reduced commensurate with the amount of the Bridge Loan Facility that is converted. The Company will give standard representations and warranties to IIG pursuant to the Bridging Loan Facility.

The parties have further agreed, subject to shareholder approval, that if IIG's Option expires on 30 November 2020 then any loan amounts plus interest plus IIG's original US\$250,000 Option Fee will be converted into new Ironveld Shares at the Subscription Price of 0.42 pence.

General Meeting and Shareholder Approval

As announced on 30 March 2020, Shareholder approval will be required for the Option to come into effect and to allow any New Ordinary Shares to be issued pursuant to the Fundraising. Ironveld now expects to publish the Circular required for the General Meeting in October 2020, assuming satisfactory completion of the project funding process.

Resolutions required at the General Meeting will include:

- a) a Rule 9 Waiver Resolution, in accordance with the provisions of the Takeover Code;
- b) by way of ordinary resolution to give the Directors authority to subdivide each existing ordinary share of 1 pence each into one ordinary share of 0.1 pence each and nine deferred shares of 0.1 pence each, with the deferred shares having the same rights and restrictions as the Company's existing deferred shares of 1 pence each;
- c) by way of ordinary resolution to give the Directors authority to allot the New Ordinary Shares;
- d) by way of special resolution to dis-apply statutory pre-emption rights in respect thereof; and
- e) by way of special resolution to amend Ironveld's current articles of association to include reference to the New Ordinary Shares, in particular detailing the rights attaching to the New Ordinary Shares.

The Directors (representing 4.41 per cent. of the issued ordinary share capital) and Tracarta Limited (representing 12.27 per cent. of the issued share capital) have all indicated that they will support the resolutions to be put forward at the General Meeting.

For further information, please contact:

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Rule 9 Waiver means the waiver, conditional on its approval by the Independent Shareholders taken by a poll, by the Takeover Panel Executive (the "Panel") of the obligation that, following the issue of the shares pursuant to the exercise of the Option Agreement, would otherwise arise on IIG to make a general offer to all shareholders of the Company pursuant to Rule 9 of the Takeover Code as a result of the allotment and issue of shares pursuant to exercise of the Option Agreement by IIG.*

***Independent Shareholders means the shareholders of the Company, excluding (i) IIG and any person acting in concert with them who holds Ordinary Shares and (ii) the directors of the Company, with the exception of the Independent Director.*

NOTES TO EDITORS

Ironveld (IRON.LN) is the owner of Mining Rights over approximately 28 kilometres of outcropping Bushveld magnetite with a SAMREC compliant ore resource of some 56 million tons of ore grading 1,12% V₂O₅, 68,6% Fe₂O₃ and 14,7% TiO₂.

The Definitive Feasibility Study published in April 2014 confirms the project's viability to deliver a Vanadium slag product for which the company has an offtake agreement as well a High Purity Iron product which commands a premium in the market place and Titanium slag containing commercial grades of titanium.

Ironveld is an AIM traded company. For further information on Ironveld please refer to www.ironveld.com.