

Company registration No 04095614 (England and Wales)

IRONVELD PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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DIRECTORS

Giles Clarke – *Chairman and Non-Executive Director*

Giles Clarke is Chairman of Westleigh Investments Holdings Limited and Kazera Global plc, as well as Chairman of several private organisations. He founded Majestic Wine in 1981 and built it into a national chain of wine warehouses. He also co-founded Pet City in 1990, which he expanded nationwide before it was listed and subsequently sold in 1996 for £150 million, co-founded Safestore which was sold in 2003 for £44 million and was Chairman of Amerisur Resources plc, sold for £242 million in 2019.

Martin Eales - *Chief Executive Officer*

Martin previously held the position of CEO at London listed Rainbow Rare Earths Limited from 2014 to 2019, where he oversaw the development of that company into the only rare earths producer in Africa. Prior to that, Martin enjoyed a 15 year career in the City of London rising to the role of Managing Director at RBC Capital Markets with a strong track record advising natural resource companies on fundraisings and other corporate transactions. He is a qualified Chartered Accountant.

Peter Cox - *Technical Director*

Peter Cox started his career in the mining industry over 30 years ago as a learner surveyor. After studying mining engineering as a JCI bursar, he worked for that company in various positions at gold and platinum mines, ending as a senior section manager. In 1987, he joined a privately owned mining and exploration company, Severin Southern Sphere Mining, as consulting engineer and general manager. Since mid-1991 he has been the managing director of Goldline Global Consulting (Pty) Ltd, an engineering consulting company which serves the mining industry worldwide. He holds a Mine Surveyor's and a Mine Manager's Certificate of Competency. He has a number of achievements to his name, including being the youngest certificated surveyor in South African mining history and designing the country's narrow reef opencast mining method.

Nicholas Harrison - *Non-Executive Director*

Nicholas Harrison qualified as an accountant with Arthur Andersen and subsequently held a number of senior positions with other professional services organisations. He was Chief Financial Officer of Amerisur Resources PLC until its sale in 2019 and has held finance director and chief executive positions in a number of other businesses. He is currently Chief Executive of Westleigh Investments Holdings Limited and a non-executive director of Kazera Global plc.

ADVISORS

| | |
|--------------------------|---|
| Company secretary | K J Pinnell |
| Company number | 04095614 (England and Wales) |
| Registered office | Unit D De Clare House Sir Alfred Owen Way Pontygwindy Industrial Estate Caerphilly Wales CF83 3HU |
| Nominated Adviser | finnCap 60 New Broad Street London EC2M 1JJ |
| Broker | finnCap 60 New Broad Street London EC2M 1JJ |
| Auditors | Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW |
| Bankers | HSBC 97 Bute Street Cardiff CF10 5NA |
| Solicitors | Kuit Steinart Levy LLP 3 St Mary's Parsonage Manchester M3 2RD |
| Registrar | Link Asset Services 10 th Floor Central Square 29 Wellington Street Leeds LS1 4DL |
| Financial PR | Blytheweigh 4-5 Castle Court London EC3V 9DL |

CHAIRMAN'S STATEMENT - STRATEGIC REPORT

During the Period, we continued to undertake various activities focused on realising the value of the Company's assets.

We entered the 2020-21 financial year seeking to conclude a transaction with Inclusive Investment Group ("IIG"), which in March 2020 had signed a conditional Option Agreement envisaging an investment in the Company by IIG of \$3.2 million (approximately £2.7 million). In November 2020 however, the Company and IIG announced the agreed lapse of the Option Agreement and Company proceeded with a conditional share placing at 0.30 pence per share to raise gross proceeds of £1,150,000, whilst at the same time capitalising various loans and accrued salary/fees owed to IIG, Directors and other lenders.

In March 2021 the Company announced that it was in discussions with a strategic partner seeking to take a substantial equity stake at the listed company level and this was confirmed post period end in October 2021 with the announcement of an agreed Subscription by Grosvenor Resources (Pty) Limited ("Grosvenor") for 561,505,950 new ordinary shares at 1 pence per share, being a substantial premium over the prevailing share price. Shareholder approval for the transaction was granted at a General Meeting in November 2021 and the transaction is expected to close early in 2022.

We remain committed to operating responsibly, working closely with stakeholders and local communities at grassroots level to improve standards of living. We continue to support our 'Keep a Girl in School' initiative working alongside our local partners, The Imbumba Foundation and the Nelson Mandela Foundation, to provide hygiene support to approximately 600 female students at school in the local area.

Financial

The Group recorded a loss before tax of £0.5m (2020: £1.0m) and had cash balances of £0.3m (2020: £0.03m) at the end of the period. The Company does not plan to pay a dividend for the year ended 30 June 2021.

Going concern

The Subscription proceeds due from Grosvenor Resources had not been received as at the date of these Financial Statements, however the Directors have received reasonable assurances that the funds will be remitted early in 2022. Taking receipt of these funds into account, these Financial Statements have been prepared on a Going Concern basis.

Outlook

The Company and Grosvenor intend to work closely together in 2022 to develop a plan to bring Ironveld's asset into production as efficiently and rapidly as possible.

We would like to thank all of our shareholders for their continuing support for both the Company and the project and we look forward to providing further updates in the near future.

Principal risks and uncertainties

The Directors consider the following risks to be the most material or significant for the management of the business. These issues do not purport to be a complete list or explanation of all the risks facing the Group. In particular the Group's performance may be affected by changes in market and/or economic conditions, changes in legal, regulatory or tax requirement legislation.

The Board of Directors monitors these risks and the Group's performance on a regular basis.

Development risk – major resources are required to develop ore resources and significant capital investment is required to achieve commercial production from exploration efforts. The commercial viability of ore resources is dependent on a number of factors. These include current and future market prices and government regulation including those relating to prices, taxes, land use and environmental protection.

CHAIRMAN'S STATEMENT - STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Availability of finance - The full development and production of the ore resources requires significant further capital expenditure and the Group will need to raise further finance. The terms on which future funds can be raised may not be on terms which the Directors consider acceptable. The Group is listed on the public markets which greatly assists in the raising of additional finance.

Political and Country risk - Substantially all of the Group's business and operations are conducted in South Africa and the political, economic, legal and social situation in South Africa introduces a certain degree of risk with respect to the Group's activities.

s172 Statement – Directors' statement in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

During the year ended 30 June 2021 the Board of Directors consider that they have acted in a way that would be most likely to promote the success of the company for the benefit of its members (having regard to the stakeholders and the matters set out in s172(1)(a)-(f) of the Companies Act 2006).

The Board has elected to apply the Quoted Company Alliance Corporate Governance Code as part of its commitment to high standards of corporate governance in all of its activities and complies with its requirements as far as is practicable and appropriate for a company of its nature and size.

The Directors are aware of their responsibilities to take into consideration the interests of all stakeholders in their decision making process and to promote the success of the Company in accordance with s172. The Directors continue to pay full regard to the interests of the stakeholders.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company is quoted on AIM and its members will be fully aware, through detailed announcements, shareholder meetings and financial communications, updated on the website, of the Board's broad and specific intentions and the rationale for its decisions. When making decision, the Board of Directors, issues such as the impact on the community and the environment have actively been taken into consideration. The Company pays its employees and creditors promptly and keeps its costs to a minimum to protect shareholders funds. The Company recognises workers' representation unions and complies with all local employment legislation.

The key decisions made in the year to promote this success are explained in the Strategic Report above.

This report was approved by the Board on 29 December 2021 and signed on its behalf by:



Giles Clarke
Chairman

DIRECTORS' REPORT

The Directors present their annual report, together with the Group and Parent Company financial statements for the year ended 30 June 2021. The Corporate Governance Statement set out on pages 8 and 9 forms part of this report.

Principal activity

The principal activity of the Group for the year continued to be mining, exploration, processing and smelting of Vanadiferous and Titaniferous Magnetite in South Africa. The principal activity of the Company for the period was that of a holding company.

Dividends

The Directors do not recommend the payment of a dividend for the year.

Directors and their interests

The Directors, who served during the year were as follows:-

G Clarke
N Harrison
P Cox
M Eales
V von Ketelhodt (resigned 30 November 2020)

The beneficial and other interests of the Directors and their families in the shares of the Company were as follows:

| | 30 June 2021 0.1p ordinary shares Number | 30 June 2020 1p ordinary shares Number |
|---|---|---|
| G Clarke | 29,749,281 | 21,211,050 |
| N Harrison | 22,415,208 | 17,210,310 |
| P Cox | 28,785,400 | 259,161 |
| M Eales | - | - |
| V von Ketelhodt (resigned 30 November 2020) | N/a | 262,500 |

G Clarke and N Harrison's interests in 10,062,470 (2020 - 10,062,470) shares above are through their shareholding in Westleigh Investments Holdings Limited.

In addition to the shares issued to directors, former director, V von Ketelhodt (who resigned 30 November 2020) was issued with 13,838,534 shares in lieu of deferred remuneration to resignation.

Details of Directors' interests in share options are provided in the Directors' remuneration report on pages 10 and 11.

Political contributions

The Group made no political contributions during this or the preceding period.

DIRECTORS' REPORT (continued)

Events arising after the reporting period

On 22 October 2021 the company announced a conditional Subscription Agreement with Grosvenor Resources (Pty) Limited ("Grosvenor") under which Grosvenor would subscribe approximately £5.6 million for 561,505,950 new ordinary shares at 1 pence per share.

The transaction was approved by shareholders in November 2021 and is expected to close early in 2022.

Going concern

Following closing of the Subscription Agreement with Grosvenor, the Group's financial facilities will be sufficient to enable the Company to operate at present levels for the foreseeable future until at least the first half of 2023, by which time, the Board of Directors anticipates having secured the further finance to develop the Project.

As at the date of these Financial Statements the company had not received the agreed Subscription proceeds from Grosvenor due to delays in Grosvenor finalising its own facilities with lenders. The company is in regular contact with Grosvenor and has received reasonable assurances that it will remit the Subscription funds as soon as possible. In the interim period, prior to receipt of the outstanding funds from Grosvenor, Giles Clarke and Nick Harrison have confirmed their intention to sign a Loan Facility agreement with the Company of up to £200,000 once the Company is out of its close period. The Loan Facility will enable the Company to meet its existing monthly overheads as they fall due. Until such time as the Subscription proceeds are received from Grosvenor there is a material uncertainty in relation to the company's funding.

Whilst the impact of the global COVID-19 pandemic including the associated travel restrictions has hampered the Company's attempts to secure project development funding to some extent, as the Group is presently not currently undertaking any operations at the project then no significant impact is anticipated over the next 12 months.

Therefore, whilst the existing resources are not sufficient to develop the mining asset, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being twelve months from the date of the approval of the financial statements. The Group is committed to developing its Project and is actively engaged with Grosvenor to secure the balance of the funding required to develop the project. For this reason, the Board continues to adopt the going concern basis in the preparation of these financial statements.

DIRECTORS' REPORT (continued)

Substantial shareholdings

As at 30 November 2021 the Company had been notified of the following holdings of 3% or more of its issued share capital other than the Directors' holdings set out on page 5:

| | Number of Ordinary shares | Percentage |
|----------------------------------|------------------------------|------------|
| Hargreaves Lansdown Stockbrokers | 185,728,805 | 14.11% |
| Align Research/Richard Jennings | 108,357,143 | 8.23% |
| Tracarta | 103,713,568 | 7.88% |
| Interactive Investor | 90,844,000 | 6.90% |
| HSDL Stockbrokers | 71,967,201 | 5.47% |
| Michinoko | 60,306,937 | 4.58% |
| Barclays Smart Investor | 56,823,312 | 4.32% |
| Jarvis Investment Management | 55,490,277 | 4.22% |
| A J Bell Stockbrokers | 43,953,792 | 3.34% |
| Mr J C Wilkins | 42,605,107 | 3.24% |

Financial instruments

The Group's exposure to price risk, credit risk, liquidity risk and cash flow is discussed in the notes to the financial statements. The Group seeks to mitigate foreign currency risk by maintaining sufficient amounts of currency to satisfy the anticipated expenditure in each currency and does not use hedging instruments.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report.

Employee relations

Ironveld complies fully with all South African employment legislation, including covering maternity and paternity leave and equal pay. The Board feels that the building and maintaining good relationships with stakeholders where it operates is not only an important part of Ironveld's strategy and its commitment to be an ethical business, but also ensures the Company is able to create value for all its stakeholders.

Statement of disclosure to auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of the relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the Board on 29 December 2021 and signed on its behalf by:



K J Pinnell
Company secretary

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Code

The Board seeks to follow best practice in corporate governance as appropriate for a company of our size, nature and stage of development. As a public company listed on AIM we recognise the importance of an effectively operating corporate governance framework. The Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code ("the QCA Code") to support Company's governance framework. The Directors acknowledge the importance of the ten principles set out in the QCA Code and a statement setting out how the Company currently complies (along with any departures) with the QCA Code is provided on the website at www.ironveld.com.

The Board of Directors

During the period, the Board comprised the Chairman, three Executive Directors (of whom one resigned during the period) and one Non-Executive Director. The Group is controlled and led by the Board of Directors with an established schedule of matters reserved for their specific approval. The Board meets regularly throughout the year and is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and consideration of significant financial matters. It reviews the strategic direction of the Company and its individual subsidiaries, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. The function of the Chairman is to supervise the Board and to ensure its effective control of the business, and that of the Chief Executive Officer is to manage the Group on the Board's behalf.

All Board members have access, at all times, to sufficient information about the business, to enable them to fully discharge their duties. Also, procedures exist covering the circumstances under which the Directors may need to obtain independent professional advice. The Board formally met 4 times throughout the year.

The Board has established the following committees to fulfil specific functions:

The Audit Committee has been established to determine the terms of engagement of the group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will have unrestricted access to the group's auditors and internal control procedures.

Due to the nature and size of the Group at present it would not be appropriate for the Group to have its own internal audit department reporting directly to the Audit Committee, this situation is reviewed annually.

The Remuneration Committee has been established to review the scale and structure of the Executive Directors' and senior employees' remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors of the Company will be set by the Board.

The Nomination Committee has been established to review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.

The Nomination Committee is tasked with ensuring directors are aware of the time commitment requirements during the recruitment selection process and on an ongoing basis. They also help ensure during the year that appointees do not have time commitment issues. All Directors receive detailed induction training upon joining the Board, covering compliance issues, risk management considerations, Board processes and corporate governance considerations. The Senior Independent Director provides a sounding board for the Chairman and assists in building relationships between major shareholders and the Board. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate. The Board continue to conduct internal and external Board evaluations which consider the balance of skills, experience, independence and knowledge of the Company. The evaluation process, the Board refreshment, use of third-party search companies and succession planning elements are discussed. The Nomination Committee recommends and reviews nominees for the appointments of new Directors to the Board and ensures there is due process used in selecting candidates.

CORPORATE GOVERNANCE STATEMENT (continued)

Status of Non-Executive directors

Neither of the Non-Executive Directors would be deemed independent under the UK Corporate Governance Code. However, the Non-Executive Directors have considerable experience which the Company draws upon on a regular basis. In addition, the Non-Executive Directors are sufficiently independent of management so as to be able to exercise independent judgement and bring an objective viewpoint and, thereby, protect and promote the interests of shareholders.

Internal control

On the wider aspects of internal control, relating to operational and compliance controls and risk management, the Board, in setting the control environment, identifies, reviews, and regularly reports on the key areas of business risk facing the Group. The Group Board and subsidiary Boards maintain close day to day involvement in all the Group's activities which enables control to be achieved and maintained. This includes the comprehensive review of both management and technical reports, the monitoring of interest rates, environmental considerations, government and fiscal policy issues, employment and information technology requirements and cash control procedures. In this way, the key risk areas can be monitored effectively, and specialist expertise applied in a timely and productive manner. The effectiveness of the Group's system of internal financial controls, for the year to 30 June 2021 and for the period to the date of approval of the financial statements, has been reviewed by the Directors. Whilst they are aware that although no system can provide for absolute assurance against material misstatement or loss, they are satisfied that effective controls are in place.

Relations with shareholders

As part of our commitment to shareholder engagement we typically seek the views of shareholders through outreach campaigns and roadshows. The Company maintains effective contact with its principal shareholders and welcomes communications from its private investors. The Company's Financial PR contact details are listed on the website and a contact form is also included. The Board is kept updated on questions / issues raised by stakeholders and incorporates information and feedback into future decision making. The directors meet with institutional shareholders on a regular basis to understand their expectations and elicit feedback. The Company holds an AGM which provides private shareholders with an opportunity to ask questions and engage with Company management. The Company also communicates with shareholders through the Annual Report and Accounts, full-year end and half-year results announcements. A range of corporate information (including all Company announcements and presentations) is available to shareholders, investors and the public on the Company's corporate website. The Company also has a social media account (Twitter) through which the Company can maintain a dialogue with shareholders and interested parties.

DIRECTORS' REMUNERATION REPORT

Compliance

This report by the Remuneration Committee, on behalf of the Board, contains details of the remuneration of each Director during the period under review.

Directors' remuneration policy

The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and are designed to attract, retain and motivate executives of the right calibre.

Emoluments of the Directors

| | Salary £000 | Fees £000 | 2021 Total £000 | 2020 Total £000 |
|---|----------------|--------------|-----------------------|-----------------------|
| N Harrison* | 45 | - | 45 | 45 |
| R Fraser (resigned 19 September 2019) | - | - | - | 11 |
| G Clarke** | 45 | - | 45 | 45 |
| P Cox | - | 101 | 101 | 185 |
| V von Ketelhodt (Resigned 30 November 2020) | - | 68 | 68 | 120 |
| M Eales*** | 175 | - | 175 | 101 |
| | <u>265</u> | <u>169</u> | <u>434</u> | <u>507</u> |

* Member of the Remuneration Committee during the period

** Member and Chairman of the Remuneration Committee during the period

*** Highest-paid Director during the period

In addition to the above remuneration disclosed above, an expense of £28,884 was recognised for share options granted to M Eales in a prior period.

Other pensions

In addition to the above, pension contributions for M Eales amounting to £14,000 were due for the year (2020 - £7,000).

The Non-Executive Directors' appointments are not pensionable.

Details of the individual share options held by the Directors under the Group's 'Long term incentive plan' as at 30 June 2021, are as follows:

| Director | Option price | Date of Grant | Expiry date | 1 July 2020 | (Exercised)/ Granted | 30 June 2021 |
|------------|--------------|---------------|-------------|-------------|-------------------------|--------------|
| P Cox | 1p | 16/08/2012 | 16/08/2022 | 1,427,894 | - | 1,427,894 |
| G Clarke | 1p | 16/08/2012 | 16/08/2022 | 1,427,894 | - | 1,427,894 |
| N Harrison | 1p | 16/08/2012 | 16/08/2022 | 1,427,894 | - | 1,427,894 |
| P Cox | 1p | 13/11/2012 | 13/11/2022 | 6,663,505 | - | 6,663,505 |
| G Clarke | 1p | 07/11/2013 | 07/11/2023 | 600,000 | - | 600,000 |
| P Cox | 1p | 07/11/2013 | 07/11/2023 | 600,000 | - | 600,000 |
| N Harrison | 1p | 07/11/2013 | 07/11/2023 | 600,000 | - | 600,000 |
| M Eales | 1p | 10/01/2020 | 09/01/2030 | 27,400,000 | - | 27,400,000 |

DIRECTORS' REMUNERATION REPORT (continued)

Directors' share options (continued)

All share options were exercisable at the year-end.

The market price of the Company's shares at 30 June 2021 was 0.805p with a range of 0.355p to 1.275p during the year.

There have been no movements in the Directors' share options since the year end.

A handwritten signature in black ink, appearing to be 'G Clarke', written over a horizontal dotted line.

G Clarke
Chairman of the Remuneration Committee

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial period. Under that law the Directors are required to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRSs) and have also chosen to prepare the parent Company financial statements under IFRSs in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
3. the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board



M Eales
Director
29 December 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRONVELD PLC

Opinion

We have audited the financial statements of Ironveld Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2021, which comprise:

- the Group income statement and statement of comprehensive income for the year ended 30 June 2021;
- the Group and Parent Company balance sheet as at 30 June 2021;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the Group and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company has not to date received the agreed subscription proceeds from Grosvenor Resources (Pty) Limited announced on 22 October 2021 but that the Company has received confirmation from two directors of a Loan Facility of up to £200,000 to enable it to meet its existing monthly overheads as they fall due. Until such time as the subscription proceeds are received from Grosvenor there is a material uncertainty in relation to the company's funding arrangements that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- reviewing and challenging management's going concern assessment and assumptions in relation to funds available to the group;
- testing the mathematical accuracy of the models used by management in their assessment;
- reviewing the signed subscription agreement with Grosvenor Resources (Pty) Limited and confirming the Loan Facility; and
- considering the disclosures in the financial statements in relation to going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRONVELD PLC (continued)

Material uncertainty related to going concern (continued)

The group remains in the exploration and evaluation phase of its activities and has yet to generate significant revenues. The company is reliant on short term borrowings and funds obtained from its investors for its ongoing working capital requirements. The company may incur commitments in excess of its available resources. The going concern assessment is subjective and involves uncertain future events.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £340,000, which represents 1.3% of the Group's total assets which we have considered to be the appropriate benchmark for an exploration company. For the Company financial statements, we determined overall materiality to be £260,000, which represents 1% of total assets as it is holding company.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £204,000 and £156,000 for Group and Company respectively.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £17,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its subsidiaries are accounted for in the country where each company resides and operates in and is overseen by the parent company in the UK. Our audit was conducted remotely this year due to the travel restriction imposed by the COVID-19 pandemic. We considered the exploration and evaluation assets to be significant balances in the group, we therefore instructed the component auditor in South Africa to carry out specific audit procedure on this area.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the following to be the key audit matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRONVELD PLC (continued)

Key Audit Matters (continued)

| Key audit matter | How the scope of our audit addressed the key audit matter |
|---|---|
| <p>Carrying value of exploration and evaluation assets</p> <p>There is a risk that expenditure being capitalised under IFRS 6 does not relate to the exploration and evaluation activities and, additionally, a risk that the assets are impaired.</p> | <p>We agreed the costs capitalised to underlying supporting documentation and considered whether they meet the criteria set out in IFRS 6 "Exploration for and Evaluation of Mineral Resources".</p> <p>We carried out procedures, including considering available technical and preliminary economic assessments of the project, to determine whether there were any indications of impairment including confirming that the group has the continuing right to explore in the specific area, ongoing substantive expenditure on further exploration and evaluation is planned, exploration and evaluation continues to be commercially viable and sufficient data, including competent persons' evaluation, to indicate that development is likely to proceed and the carrying amount of the exploration asset is likely to be recovered in full from successful development or by sale.</p> |

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRONVELD PLC (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, UK and South African taxation legislation, health & safety law and environmental agency legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and judgement surrounding the capitalisation of exploration & evaluation assets. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, UK and South African taxation legislation, health & safety law and environmental agency legislation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRONVELD PLC (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and judgement surrounding the capitalisation of exploration & evaluation assets. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed including fraud.



Stephen Bullock (Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London
EC4M 7JW

29 December 2021

CONSOLIDATED INCOME STATEMENT

| | Note | 2021 £000 | 2020 £000 |
|---|-----------|----------------|----------------|
| Administrative expenses | | (783) | (695) |
| Operating loss | 4 | <u>(783)</u> | <u>(695)</u> |
| Other gains and losses | 6 | 323 | (326) |
| Investment revenues | 7 | 3 | 4 |
| Finance costs | 8 | (8) | (2) |
| Loss before tax | | <u>(465)</u> | <u>(1,019)</u> |
| Tax | 9 | - | - |
| Loss for the year | | <u>(465)</u> | <u>(1,019)</u> |
| Attributable to: | | | |
| Owners of the Company | | (460) | (1,017) |
| Non-controlling interests | | (5) | (2) |
| | | <u>(465)</u> | <u>(1,019)</u> |
| Loss per share - Basic and diluted | 10 | <u>(0.05p)</u> | <u>(0.16p)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2021 £000 | 2020 £000 |
|--|----------------------------|----------------------------|
| Loss for the period | (465) | (1,019) |
| Exchange difference on translation of foreign operations | 1,692 | (3,654) |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 1,227 | (4,673) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to | | |
| Owners of the Company | 956 | (4,061) |
| Non-controlling interests | 271 | (612) |
| | <hr/> | <hr/> |
| | 1,227 | (4,673) |
| | <hr/> <hr/> | <hr/> <hr/> |

Amounts charged/credited to other comprehensive income may be reclassified to the income statement in future periods.

CONSOLIDATED BALANCE SHEET

| | Note | 2021 £000 | 2020 £000 |
|---|------|----------------|----------------|
| Non-current assets | | | |
| Intangible assets | 12 | 26,191 | 23,574 |
| Property, plant and equipment | 13 | 2 | 2 |
| Investments | 14 | - | - |
| Other receivables | 15 | 3 | 2 |
| | | <u>26,196</u> | <u>23,578</u> |
| Current assets | | | |
| Trade and other receivables | 15 | 177 | 76 |
| Cash and cash equivalents | 22 | 270 | 28 |
| | | <u>447</u> | <u>104</u> |
| Total assets | | <u>26,643</u> | <u>23,682</u> |
| Current liabilities | | | |
| Trade and other payables | 16 | (272) | (805) |
| Borrowings | 17 | - | (210) |
| | | <u>(272)</u> | <u>(1,015)</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 18 | (4,774) | (4,384) |
| Total liabilities | | <u>(5,046)</u> | <u>(5,399)</u> |
| Net assets | | <u>21,597</u> | <u>18,283</u> |
| Equity | | | |
| Share capital | 20 | 10,436 | 9,774 |
| Share premium | 21 | 21,261 | 19,691 |
| Other reserve | 21 | 15 | 189 |
| Retained earnings | 21 | (13,495) | (14,480) |
| Equity attributable to owners of the Company | | <u>18,217</u> | <u>15,174</u> |
| Non-controlling interests | 25 | <u>3,380</u> | <u>3,109</u> |
| Total equity | | <u>21,597</u> | <u>18,283</u> |

These financial statements were approved by the Board and authorised for issue on 29 December 2021.

Signed on behalf of the Board



M Eales
Director

Company Registration No: 04095614

PARENT COMPANY BALANCE SHEET

| | Note | 2021 £000 | 2020 £000 |
|--|------|--------------|--------------|
| Non-current assets | | | |
| Investments | 14 | 25,502 | 24,654 |
| Current assets | | | |
| Trade and other receivables | 15 | 49 | 30 |
| Cash and cash equivalents | 22 | 255 | 15 |
| | | 304 | 45 |
| Total assets | | 25,806 | 24,699 |
| Current liabilities | | | |
| Trade and other payables | 16 | (264) | (219) |
| Borrowings | 17 | - | (210) |
| Total liabilities | | (264) | (429) |
| Net assets | | 25,542 | 24,270 |
| Equity | | | |
| Share capital | 20 | 10,436 | 9,774 |
| Share premium | 21 | 21,261 | 19,691 |
| Other reserve | 21 | 15 | 189 |
| Retained earnings | 21 | (6,170) | (5,384) |
| Total equity (Attributable to owners of the Company) | | 25,542 | 24,270 |

The loss for the financial year dealt with in the financial statements of the parent Company was £815,000 (2020 – loss £551,000).

These financial statements were approved by the Board and authorised for issue on 29 December 2021.

Signed on behalf of the Board



M Eales
Director

Company Registration No: 04095614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the Company:

| | Share Capital £000 | Share Premium £000 | Other Reserve £000 | Retained Earnings £000 | Total £000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|-----------------------|
| At 1 July 2019 | 9,774 | 19,691 | - | (10,499) | 18,966 |
| Exchange difference on translation of foreign operations | - | - | - | (3,044) | (3,044) |
| Issue of share options and warrants | - | - | 189 | - | 189 |
| Credit for equity-settled share based payments | - | - | - | 80 | 80 |
| Loss for the year | - | - | - | (1,017) | (1,017) |
| At 30 June 2020 | <u><u>9,774</u></u> | <u><u>19,691</u></u> | <u><u>189</u></u> | <u><u>(14,480)</u></u> | <u><u>15,174</u></u> |
| Exchange difference on translation of foreign operations | - | - | - | 1,416 | 1,416 |
| Reclassification to liability | - | - | (189) | - | (189) |
| Issue of share capital | 662 | 1,570 | - | - | 2,232 |
| Issue of share option and warrants | - | - | 15 | - | 15 |
| Credit for equity-settled share based payments | - | - | - | 29 | 29 |
| Loss for the year | - | - | - | (460) | (460) |
| At 30 June 2021 | <u><u>10,436</u></u> | <u><u>21,261</u></u> | <u><u>15</u></u> | <u><u>(13,495)</u></u> | <u><u>18,217</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Total equity:

| | Owners of the Company £000 | Non-controlling Interest £000 | Total Equity £000 |
|--|---|--|----------------------------------|
| At 1 July 2019 | 18,966 | 3,721 | 22,687 |
| Exchange difference on translation of foreign operations | (3,044) | (610) | (3,654) |
| Issue of share option and warrants | 189 | - | 189 |
| Credit for equity-settled share based payments | 80 | - | 80 |
| Loss for the year | (1,017) | (2) | (1,019) |
| At 30 June 2020 | <u>15,174</u> | <u>3,109</u> | <u>18,283</u> |
| Exchange difference on translation of foreign operations | 1,416 | 276 | 1,692 |
| Reclassification to liability | (189) | - | (189) |
| Issue of share capital | 2,232 | - | 2,232 |
| Issue of share options and warrants | 15 | - | 15 |
| Credit for equity-settled share based payments | 29 | - | 29 |
| Loss for the year | (460) | (5) | (465) |
| At 30 June 2021 | <u>18,217</u> | <u>3,380</u> | <u>21,597</u> |

COMPANY STATEMENT OF CHANGES IN EQUITY

Equity attributable to the equity holders of the Company:

| | Share Capital £000 | Share Premium £000 | Other Reserve £000 | Retained Earnings £000 | Total Equity £000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|----------------------------------|
| At 1 July 2019 | 9,774 | 19,691 | - | (4,913) | 24,552 |
| Credit for equity-settled share based payments | - | - | - | 80 | 80 |
| Issue of share options and warrants | - | - | 189 | - | 189 |
| Loss for the year | - | - | - | (551) | (551) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 2020 | 9,774 | 19,691 | 189 | (5,384) | 24,270 |
| Credit for equity-settled share based payments | - | - | - | 29 | 29 |
| Reclassification to liability | - | - | (189) | - | (189) |
| Issue of share capital | 662 | 1,570 | - | - | 2,232 |
| Issue of share options and warrants | - | - | 15 | - | 15 |
| Loss for the year | - | - | - | (815) | (815) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 2021 | 10,436 | 21,261 | 15 | (6,170) | 25,542 |

CONSOLIDATED CASH FLOW STATEMENT

| | Note | 2021 £000 | 2020 £000 |
|---|-----------|--------------|--------------|
| Net cash used in operating activities | 22 | (642) | (397) |
| Investing activities | | | |
| Purchases of property, plant and equipment | | (1) | - |
| Purchase of exploration and evaluation assets | | (492) | (555) |
| Interest received | | 3 | 4 |
| Net cash used in investing activities | | (490) | (551) |
| Financing activities | | | |
| Proceeds on issue of equity (net of costs) | | 1,134 | - |
| Proceeds on issue of share options and warrants | | - | 189 |
| Proceeds from new loans | | 363 | 210 |
| Repayment of loans | | (109) | - |
| Net cash generated by financing activities | | 1,388 | 399 |
| Net decrease in cash and cash equivalents | | 256 | (549) |
| Cash and cash equivalents at beginning of year | 22 | 28 | 566 |
| Effects of foreign exchange rates | | (14) | 11 |
| Cash and cash equivalents at end of year | 22 | 270 | 28 |

COMPANY CASH FLOW STATEMENT

| | Note | 2021 £000 | 2020 £000 |
|---|-----------|--------------|--------------|
| Net cash from operating activities | 22 | (507) | (350) |
| Investing activities | | | |
| Payments to acquire investments - loans | | (384) | (557) |
| Investments repaid - loans | | 81 | - |
| Net cash used in investing activities | | (303) | (557) |
| Financing activities | | | |
| Proceeds on issue of equity (net of costs) | | 1,134 | - |
| Proceeds on issue of share options and warrants | | - | 189 |
| Proceeds from new loans | | 25 | 210 |
| Repayment of loans | | (109) | - |
| Net cash generated by financing activities | | 1,050 | 399 |
| Net decrease in cash and cash equivalents | | 240 | (508) |
| Cash and cash equivalents at beginning of year | 22 | 15 | 523 |
| Cash and cash equivalents at end of year | 22 | 255 | 15 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Ironveld Plc is a public company incorporated and domiciled in England and Wales under the Companies Act 2006 whose shares are listed on the Alternative Investment Market of the London Stock Exchange. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in note 3 and in the Directors report on page 5.

Adoption of new and revised Standards

In the current year, the Group has applied new or amended standard for the first time which are mandatory for accounting periods commencing on or after 1 July 2020. None of the standards adopted had a material impact on the financial statements. The significant new and amended standards adopted were as follows:-

IFRS 16 – Leases (Amendments) – Covid-19 related lease concessions

At the date of authorisation of these financial statements, the following accounting standards, amendments to existing standards and interpretations, applicable to the group, are not yet effective and have not been adopted early by the Group. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group and Company's results or equity.

IAS 1 – Presentation of financial statements (Amendments) – Classification of liabilities as current and non-current
Amendments to references to the conceptual Framework in IFRS Standards
Annual Improvements to IFRSs 2018-2020 Cycle.

IAS 12 – Taxation (Amendments) – Deferred tax relating to asset and liabilities from a single transaction

IAS 16 – Property, Plant and equipment (Amendments) – Proceeds before intended use

IAS 37 – Provisions, contingent liabilities and contingent assets (Amendments) – Onerous contracts

2.1 Significant accounting policies

The financial statements are based on the following policies which have been consistently applied:

Basis of preparation

The financial statements of the Group and Parent Company have been prepared in accordance with International accounting standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

Under section 408 of the Companies Act 2006 the Parent Company is exempt from the requirement to present its own profit and loss account. The financial statements have been prepared on the historical cost basis. The financial statements are presented in pounds sterling because that is considered to be the currency of the primary economic environment.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by the Company (its subsidiaries) made up to the year-end. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control and ceases when the Company loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Significant accounting policies (continued)

Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders are initially measured at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying value of the non-controlling interests is the amount of initial recognition plus the non-controlling interests' share of the subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combinations

Acquisitions of subsidiaries are accounted for using acquisition accounting. The consideration for each acquisition is measured at the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control in the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

Exploration and evaluation

Costs incurred prior to acquiring the rights to explore are charged directly to the income statement.

Licence acquisition costs and all other costs incurred after the rights to explore an area have been obtained, such as the direct costs of exploration and appraisal (including geological, drilling, trenching, sampling, technical feasibility and commercial viability activities) are accumulated and capitalised as intangible exploration and evaluation ("E&E") assets, pending determination. Amounts charged to project partners in respect of costs previously capitalised are deducted as contributions received in determining the accumulated cost of E&E assets.

E&E assets are not amortised prior to the conclusion of the appraisal activities. At completion of appraisal activities, if financial and technical feasibility is demonstrated and commercial reserves are discovered then, following development sanctions, the carrying value of the relevant E&E asset will be reclassified as a development and production asset in intangible assets after the carrying value has been assessed for impairment and, where appropriate adjusted. If after completion of the appraisal of the area it is not possible to determine technical and commercial feasibility or if the legal rights have expired or if the Group decide to not continue activities in the area, then the cost of unsuccessful exploration and evaluation are written off to the income statement in the relevant period.

The Group's definition of commercial reserves for such purposes is proved and probable reserves on an entitlement basis. Proved and probable reserves are the estimated quantities of minerals which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from the known reserves and which are considered to be commercially producible.

Such reserves are considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable expectation that there is a market for substantially all of the expected production;
- a reasonable assessment of the future economics of such production;
- evidence that the necessary production, transmission and transportation facilities are available or can be made available; and
- agreement of appropriate funding; and
- the making of the final investment decision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Significant accounting policies (continued)

Exploration and evaluation (continued)

On an annual basis a review for impairment indicators is performed. If an indicator of impairment exists an impairment review is performed. The recoverable amount is then considered to be the higher of the fair value less costs of sale or its value in use. Any identified impairment is written off to the income statement in the period identified.

Development and production assets

Development and production assets, classified within property, plant and equipment, are accumulated generally on a field basis and represents the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditure incurred in finding the commercial reserves transferred from intangible assets.

Depreciation of producing assets

The net book values of producing assets are depreciated generally on the field basis using the unit or production method by reference to the ratio of production in the period and the related commercial reserves of the field, taking into account the future development expenditure necessary to bring those reserves to production.

Research and development

Research expenditure is recognised as an expense in the period in which it is incurred.

An internally-generated asset arising from any development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group reported no revenue for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax payable and deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the calculation of the taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised on all appropriate taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to be applicable in the period when the liability or asset is realised and is based on tax laws and rates substantially enacted at the balance sheet date. Deferred tax is charged in the income statement except where it relates to items charged/credited in other comprehensive income, in which case the tax is also dealt with in other comprehensive income.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. All of the Groups leases has a lease term of 12 months or less.

Property, plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life, as follows:

| | |
|---------------------|---|
| Plant and machinery | 10% - 25% straight line basis or reducing balance basis |
|---------------------|---|

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the income statement in the period in which they arise.

When presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at average exchange rates for the period, unless exchange rates have fluctuated significantly in which case the rates at the date of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests where appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Other receivables

Other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method except for short-term receivables when recognition of interest would be immaterial. The Group recognises appropriate allowances for expected credit losses in the income statement based on a historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liability and equity

Interest bearing bank and other loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are initially recognised at fair value and are subsequently amortised using the effective interest method. Fair value is estimated from available market data and reference to other instruments considered to be substantially the same.

Trade and other payables

Trade payables and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

The Group's activities expose it primarily to the financial risks of changes in interest rates on borrowings and foreign exchange risk.

Investments

Investments in subsidiaries are stated at cost less any provision for the permanent diminution in value.

Share-based payments

The Group issues equity-settled share-based payments to certain employees and other parties. Equity settled share-based payments are measured at fair value at the date of grant. In respect of employee related share based payments, the fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. In respect of other share based payments, the fair value is determined at the date of grant and recognised when the associated goods or services are received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Significant accounting policies (continued)

Operating segments

The Group considers itself to have one operating segment in the year and further information is provided in note 3.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operating existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided in the note 2.2 and in the Strategic Report on pages 3 to 4. The financial statements therefore do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

2.2 Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of acquisition

On acquisition of a subsidiary, the Company is required to estimate the fair value of the assets and liabilities acquired and the consideration paid. The estimate in respect of exploration and evaluation assets is affected by many factors including the future viability of commercial reserves which have been based on the judgement of directors supported by third party technical reports.

Going concern

Following closing of the Subscription Agreement with Grosvenor, the Group's financial facilities will be sufficient to enable the Company to operate at present levels for the foreseeable future until at least the first half of 2023, by which time the Board of Directors anticipates to have secured the further finance to develop the Project.

As at the date of these Financial Statements the company had not received the agreed Subscription proceeds from Grosvenor due to delays in Grosvenor finalising its own facilities with lenders. The company is in regular contact with Grosvenor and has received reasonable assurances that it will remit the Subscription funds as soon as possible. In the interim period, prior to receipt of the outstanding funds from Grosvenor, Giles Clarke and Nick Harrison have confirmed their intention to sign a Loan Facility agreement with the Company of up to £200,000 once the Company is out of its closed period. The Loan Facility will enable the Company to meet its existing monthly overheads as they fall due. Until such time as the Subscription proceeds are received from Grosvenor there is a material uncertainty in relation to the company's funding.

Whilst the impact of the global COVID-19 pandemic including the associated travel restrictions has hampered the Company's attempts to secure project development funding to some extent, as the Group is presently not currently undertaking any operations at the project then no significant impact is anticipated over the next 12 months.

Therefore, whilst the existing resources are not sufficient to develop the mining asset, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being twelve months from the date of the approval of the financial statements. The Group is committed to developing its Project and is actively engaged with Grosvenor to secure the balance of the funding required to develop the project. For this reason, the Board continues to adopt the going concern basis in the preparation of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Critical accounting estimates and judgements (continued)

Exploration and evaluation assets

The Group has adopted a policy of capitalising the costs of exploration and evaluation and carrying the amount without impairment assessment until impairment indicators exist (as permitted by IFRS 6). The directors consider that the Group remains in the exploration and evaluation phase and therefore, under IFRS 6, the directors have to make judgements as to whether any indicators of impairment exist and the future activities of the Group. No such indicators of impairment were identified and therefore, in accordance with IFRS 6, no impairment review has been carried out. The Directors remain committed to development of the asset.

Investment impairment indicators

The Company balance sheet includes an investment in subsidiary companies of £25,502,390 which is underpinned and reflects the underlying subsidiary exploration and evaluation assets discussed above. As no indicators of impairment have been identified in the exploration and evaluation asset then subsequently no indicators or impairment in the investment in subsidiary have been identified and as is consistent with the exploration and evaluation assets, no impairment review has been carried out in the period.

Deferred tax assets

The directors must judge whether the future profitability of the Group is likely in making the decision whether or not to recognise a deferred tax asset in respect of taxation losses. No deferred tax assets have been recognised in the year.

3. Business and geographical segments

Information reported to the Group Directors for the purposes of resource allocation and assessment of segment performance is focused on the activity of each segment and its geographical location. The directors consider that there is only one business segment, which is the activity of prospecting, exploration and mining based in South Africa.

4. Operating loss

| | 2021 £000 | 2020 £000 |
|--|-------------------|-------------------|
| Operating loss for the year is shown after charging: | | |
| Depreciation on tangible assets | 2 | 2 |
| Short term payments under leases | 26 | 26 |
| Share based payment charge | 29 | 80 |
| Foreign exchange gain | (54) | - |
| | <u> </u> | <u> </u> |

Auditors' remuneration

| | | |
|---|-------------------|-------------------|
| Fees payable to the auditors for the audit of the Company's accounts | 35 | - |
| Fees payable to previous auditors for the audit of the Company's accounts | - | 37 |
| Fees payable to the Company's auditors and its associates for other services:- | | |
| Tax compliance services | - | - |
| Other assurance services | - | - |
| Other non-audit services | - | - |
| | <u> </u> | <u> </u> |
| Fees payable to the previous Company's auditors and its associates for other services:- | | |
| The audit of the Company's subsidiaries | - | 13 |
| Tax compliance services | - | 7 |
| Other assurance services | - | 10 |
| Other non-audit services | - | 3 |
| | <u> </u> | <u> </u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Staff costs

| Group | 2021 £000 | 2020 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 355 | 350 |
| Social security costs | 34 | 28 |
| Pension costs | 14 | 8 |
| Share based payments | 29 | 80 |
| Directors other fees | 169 | 305 |
| | <u>601</u> | <u>771</u> |

The average monthly number of employees, including Directors, during the period was as follows:

| | 2021 Number | 2020 Number |
|-------------------------------|----------------|----------------|
| Administration and management | <u>11</u> | <u>12</u> |

| | 2021 £000 | 2020 £000 |
|---------------------------------------|--------------|--------------|
| Directors remuneration and other fees | 434 | 594 |
| Pension | 14 | 8 |
| Share based payments | 29 | - |
| | <u>477</u> | <u>594</u> |

| | | |
|---|------------|------------|
| The aggregate remuneration and fees paid to the highest paid Director was | 175 | 185 |
| Pension | 14 | - |
| Share based payments | 29 | - |
| | <u>218</u> | <u>185</u> |

Further details of the Directors' remuneration are given in the Directors' Remuneration Report on pages 10 and 11.

| Company | 2021 £000 | 2020 £000 |
|--------------------------------|--------------|--------------|
| Wages and salaries - directors | 265 | 202 |
| Social security costs | 33 | 26 |
| Share based payments | 28 | 80 |
| Pension costs | 14 | 7 |
| | <u>340</u> | <u>315</u> |

The average monthly number of employees, including Directors, during the period was as follows:

| | 2021 Number | 2020 Number |
|-----------|----------------|----------------|
| Directors | <u>4</u> | <u>5</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Other gains and losses

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Impairment of other investments | - | (326) |
| Gain on settlement of financial liabilities with equity | 335 | - |
| Fair value loss on derivative instruments | (12) | - |
| | <u>323</u> | <u>(326)</u> |

7. Investment revenues

| | 2021 £000 | 2020 £000 |
|--------------------------------|--------------|--------------|
| Interest on financial deposits | <u>3</u> | <u>4</u> |

8. Finance costs

| | 2021 £000 | 2020 £000 |
|-----------------------------------|--------------|--------------|
| Loan interest and similar charges | <u>8</u> | <u>2</u> |

9. Tax

| <i>a) Tax charge for the period</i> | 2021 £000 | 2020 £000 |
|--|--------------|----------------|
| Corporation tax: | | |
| Current period | - | - |
| Deferred tax (note 18) | - | - |
| | <u>-</u> | <u>-</u> |
| | | |
| b) Factors affecting the tax charge for the period | | |
| Loss on ordinary activities for the period before taxation | <u>(465)</u> | <u>(1,019)</u> |
| | | |
| Loss on ordinary activities for the period before taxation multiplied by effective rate of corporation tax in the UK of 19% (2020 – 19%) | (88) | (194) |
| | | |
| <i>Effects of:</i> | | |
| Unused tax losses not recognised | <u>88</u> | <u>194</u> |
| | | |
| Tax expense for the period | <u>-</u> | <u>-</u> |

c) Factors that may affect future tax charges - The Group has estimated unutilised tax losses amounting to £4,455,087 (2020 - £5,194,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £847,000 (2020 - £1,123,000) based on current tax rates, which would be recoverable should the Group make sufficient suitable taxable profits in the future.

In addition, the Group has pooled exploration costs incurred of £8,578,000 (2020 - £7,445,000) which are expected to be deductible against future trading profits of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. (Loss)/earnings per share

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Loss attributable to the owners of the Company | (465) | (1,019) |
| Loss per share – Basic and diluted Continuing operations | (0.05p) | (0.16p) |

The calculation of basic earnings per share is based on 1,008,492,369 (2020 – 654,990,841) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Where the Group reports a loss for the current period, then in accordance with IAS 33, the share options are not considered dilutive. Details of such instruments which could potentially dilute basic earnings per share in the future are included in note 20.

11. Loss attributable to owners of the parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these accounts. The parent Company's loss for the financial year amounted to £815,000 (2020 - £551,000).

12. Intangible assets

| | Exploration and evaluation assets £000 |
|--|--|
| Group | |
| <i>Cost:</i> | |
| At 1 July 2019 | 27,423 |
| Additions | 645 |
| Exchange differences | (4,494) |
| At 30 June 2020 | 23,574 |
| Additions | 492 |
| Exchange differences | 2,125 |
| At 30 June 2021 | 26,191 |
| <i>Impairment and amortisation:</i> | |
| At 1 July 2019, 30 June 2020 and at 30 June 2021 | - |
| Net book value at 30 June 2021 | 26,191 |
| Net book value at 30 June 2020 | 23,574 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Intangible assets (continued)

The Group's exploration and evaluation assets all relate to South Africa.

In respect of the exploration and evaluation assets which remain in the appraisal phase, the Group has performed a review for impairment indicators, as required by IFRS 6 and in the absence of such indicators no impairment review was carried out.

13. Property, plant and equipment

Plant and
machinery

Group

£000

Cost:

At 1 July 2020 34

Additions 1

Exchange differences 4

At 30 June 2021 39

Depreciation:

At 1 July 2020 32

Charge for the period 2

Exchange differences 3

At 30 June 2021 37

Net book value at 30 June 2021 2

Net book value at 30 June 2020 2

Plant and
machinery
£000

Cost:

At 1 July 2019 41

Exchange differences (7)

At 30 June 2020 34

Depreciation:

At 1 July 2019 36

Charge for the period 2

Exchange differences (6)

At 30 June 2020 32

Net book value at 30 June 2020 2

Net book value at 30 June 2019 5

All non-current assets in 2021, 2020 and 2019 were located in South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Investments

Group – Loans to other entities

| | 2021 £000 | 2020 £000 |
|-----------------------|--------------|--------------|
| Cost: | | |
| At 1 July | 326 | 390 |
| Exchange differences | 29 | (64) |
| At 30 June | <u>355</u> | <u>326</u> |
| Impairment: | | |
| At 1 July | 326 | - |
| Exchange differences | 29 | 326 |
| At 30 June | <u>355</u> | <u>326</u> |
| Book value at 30 June | <u>-</u> | <u>-</u> |

The investment represented the Rand 7 million refundable deposit to Siyanda Smelting and Refining Proprietary Limited which the Group paid in exchange for a period of exclusivity to conclude a potential acquisition of the company. The deposit is interest free and becomes refundable should the acquisition not proceed. The investment was fully impaired as at 30 June 2021 whilst the directors pursued other alternative opportunities. £nil (2020 - £326,000) was charged to the income statement.

Company - Subsidiary undertakings

| | Loans £000 | Equity £000 | Total £000 |
|--------------------------------|---------------|----------------|---------------|
| Cost: | | | |
| At 1 July 2019 | 3,740 | 20,334 | 24,074 |
| Additions | 580 | - | 580 |
| At 30 June 2020 | <u>4,320</u> | <u>20,334</u> | <u>24,654</u> |
| Additions | 848 | - | 848 |
| At 30 June 2021 | <u>5,168</u> | <u>20,334</u> | <u>25,502</u> |
| Net book value at 30 June 2021 | <u>5,168</u> | <u>20,334</u> | <u>25,502</u> |
| Net book value at 30 June 2020 | <u>4,320</u> | <u>20,334</u> | <u>24,654</u> |

The loans represent loans to Ironveld Holdings (Propriety) Limited of £5,031,000 (2020 - £4,215,000) which incur interest at a rate not exceeding the base lending rate applicable in England and Wales. Under the initial terms of the loan, £2,500,000 is repayable 31 December 2019 with the remainder due 31 December 2020 however further agreement has extended the loan period until project finance is agreed. Also included in loans are working capital loans to Ironveld Mauritius Limited of £137,000 (2020 - £105,000) which are interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Investments (continued)

The Company has investments in the following principal subsidiaries. To avoid a statement of excessive length, details of the investments which are not significant have been omitted:

| Name of company | Shares | Proportion of voting rights and shares held | Nature of business |
|---|----------|---|----------------------------|
| Subsidiary undertakings | | | |
| Ironveld (Mauritius) | Ordinary | *100% | Holding Company |
| Ironveld Holdings (Proprietary) Limited | Ordinary | 100% | Holding Company |
| Ironveld Mining (Proprietary) Limited | Ordinary | 100% | Mining and exploration |
| Ironveld Middelburg (Proprietary) Limited | Ordinary | 100% | Smelting and manufacturing |
| Ironveld Smelting (Proprietary) Limited | Ordinary | 74% | Smelting and manufacturing |
| HW Iron (Proprietary) Limited | Ordinary | 68% | Prospecting and mining |
| Lapon Mining (Proprietary) Limited | Ordinary | 74% | Prospecting and mining |
| Luge Prospecting and Mining (Proprietary) Limited | Ordinary | 74% | Prospecting and mining |

* Held directly by Ironveld Plc all other holdings are indirect.

All subsidiary undertakings are incorporated and domiciled in South Africa, other than Ironveld Mauritius Limited, which is incorporated and domiciled in Mauritius.

The registered office of all subsidiaries with the exception of Ironveld (Mauritius) was Gartner House, 33 Wessel Road, Rivonia 2128, South Africa.

The registered office of Ironveld (Mauritius) is - C/o Rogers Capital Corporate Services Limited, 3rd Floor, Rogers House, No. 5 President John Kennedy Street, Port Louis, Republic of Mauritius.

Further details of non-wholly owned subsidiaries of the Group are provided in note 25.

15. Trade and other receivables

| | <i>Group</i> | | <i>Company</i> | |
|---------------------------------|--------------|--------------|----------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Other receivables | 128 | 58 | | 16 |
| Amounts owed by related parties | 3 | 2 | 4 | - |
| Prepayments | 49 | 18 | 45 | 14 |
| | <u>180</u> | <u>78</u> | <u>49</u> | <u>30</u> |
| Due within 12 months | (177) | (76) | (49) | (30) |
| Due after more than 12 months | <u>3</u> | <u>2</u> | - | - |

Amounts owed by related parties represent expenses paid on behalf of the non-controlling interest shareholders by the company and are expected to be recovered in more than 12 months. The amounts are unsecured and interest free.

Credit risk

The Group's principal financial assets are bank balances, cash balances, and other receivables. The Group's credit risk is primarily attributable to its other receivables of which £105,000 (2020 - £27,000) is due from a third party financial institution and further information is provided in note 19. The remaining receivable relates to recoverable VAT. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Trade and other payables

| | <i>Group</i> | | <i>Company</i> | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Trade payables | 25 | 48 | 25 | 48 |
| Taxation and social security costs | 5 | 13 | 5 | 13 |
| Other payables | 5 | 6 | 5 | 5 |
| Accruals | 237 | 738 | 229 | 153 |
| | <u>272</u> | <u>805</u> | <u>264</u> | <u>219</u> |
| Due within 12 months | (272) | (805) | (264) | (219) |
| Due after more than 12 months | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

17. Borrowings

| | <i>Group</i> | | <i>Company</i> | |
|-------------------------------|--------------|--------------|----------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Other loans | - | 210 | - | 210 |
| Due within 12 months | - | (210) | - | (210) |
| Due after more than 12 months | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Further details on loans is provided in note 19.

18. Deferred tax

| | <i>Group</i> | |
|----------------------|--------------|--------------|
| | 2021 £000 | 2020 £000 |
| Balance at 1 July | 4,384 | 5,243 |
| Exchange differences | 390 | (859) |
| Balance at 30 June | <u>4,774</u> | <u>4,384</u> |

The Group has unrelieved tax losses carried forward which represent a deferred tax asset of £847,000 (2020 - £1,123,000) based on current tax rates. This asset is not recognised in these financial statements.

The deferred tax liability is made up as follows:

| | <i>Group</i> | |
|------------------------|--------------|--------------|
| | 2021 £000 | 2020 £000 |
| Fair value adjustments | <u>4,774</u> | <u>4,384</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the accounting policies in note 2. The Group does not trade in financial instruments.

Capital risk management

The Group manages its capital to ensure that they will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consist of equity attributable to equity holders of the parent Company.

The Group is not subject to any externally imposed capital requirements.

Interest rate risk profile

The Group is exposed to interest rate risk because the Group borrows funds for working capital at fixed and variable rates. The Group exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of the transactions concluded is spread where possible.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by assessing required reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn bank facilities that the Group has at its disposal to manage liquidity are set out below.

Financial facilities

The Group did not have any secured bank loan or overdraft facilities during the current or comparative period.

Financial assets

The Group has no financial assets, other than short-term receivables and cash deposits of £270,000 (2020 - £28,000). The cash deposits attract variable rates of interest. At the year end the effective rate was 0.08% (2020 - 0.08%). The cash deposits held were as follows:-

| | 2021 | 2020 |
|---|-------------|-------------|
| | £000 | £000 |
| Sterling - United Kingdom banks | 251 | 10 |
| USD – United Kingdom banks | 3 | 4 |
| USD – Mauritius banks | 3 | - |
| South African Rand - United Kingdom banks | 1 | 1 |
| South African Rand - South African banks | 12 | 13 |
| | <hr/> | <hr/> |
| | 270 | 28 |
| | <hr/> | <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

Financial liabilities

Other loans

Other loans represented the Group's interest bearing financial liabilities. The Company issued 26,000,000 share warrants with a subscription price of 1p per share to the lenders, pro rata to the amount of each loan. The warrants had a two year life and the lenders were able to use the outstanding balances under the loan facilities to exercise the warrants. The other loans were repaid during the year and the warrants related to the loans lapsed.

At 1 July 2020, the Company had a potential US\$1 million facility with IIG which could be drawn down if IIG completed its share subscription under the outstanding option agreement. The facility lapsed on 30 November 2020.

At 30 June 2021, the Group had no undrawn facilities.

Currency exposures

The Group undertakes transactions denominated in foreign currencies and is consequently exposed to fluctuations in exchange rates. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities were as follows:-

| As at 30 June 2021 | Assets £000 | Liabilities £000 |
|----------------------------|------------------------|-----------------------------|
| British Pound Sterling (£) | 251 | 265 |
| USD (\$) | 6 | 8 |
| South African Rand (R) | 124 | 2 |
| | 381 | 275 |
| | 381 | 275 |
| As at 30 June 2020 | Assets £000 | Liabilities £000 |
| British Pound Sterling (£) | 31 | 417 |
| USD (\$) | 1 | 21 |
| South African Rand (R) | 56 | 564 |
| | 88 | 1,002 |
| | 88 | 1,002 |

Financial commitments and guarantee

Rehabilitation guarantees of £1,340,000 (R 24,278,412) have been issued to the Department of Mineral Resources for three subsidiaries, HW Iron Proprietary Limited, Lapon Mining Proprietary Limited and Luge Prospecting and Mining Company Proprietary Limited in order to comply with Section 41 of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002). Under this agreement the Group will pay deposits to a third party financial institution to be held pending discharge of any potential claim on this guarantee. At 30 June 2021 £105,000 (R 2,068,000) (2020 - £27,000 (R 577,000)) had been deposited in respect of this agreement and is included in other receivables. This receivable represents a concentration of credit risk and the Group is exposed to currency risk on these amounts. As the project has not yet commenced then no liability is considered to have arisen under this guarantee at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Share capital

Group and Company

| | 2021 £000 | 2020 £000 |
|---|---------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| Nil (2020 – 654,990,841) Ordinary shares of 1p each | - | 6,550 |
| 1,316,440,372 (2020 – Nil) New Ordinary shares of 0.1p each | 1,316 | - |
| 322,447,158(2020 – 322,447,158) deferred shares of 1p each | 3,224 | 3,224 |
| 5,894,917,569 (2020 – Nil) deferred shares of 0.1p each | 5,896 | - |
| | <u>10,436</u> | <u>9,774</u> |

As announced on 26 November 2020 and subsequently approved on 14 December 2020, the Company agreed to carry out a subdivision of the existing ordinary shares whereby each existing ordinary share of 1 pence each will be subdivided into one New Ordinary share of 0.1 pence each and nine deferred shares of 0.1 pence each to enable the placing at 0.30 pence per share to become unconditional. The New Ordinary shares continue to carry the same rights as attached to the existing ordinary shares, save for the reduction in nominal value.

On 15 December 2020, a further 643,949,531 shares were issued and admitted to trading to settle existing liabilities and raise gross working capital of £1,150,000 for the Group.

On 4 March 2021, a further 17,500,000 New ordinary shares with a par value of 0.1p were issued at a price of 0.3p per share following the exercise of share warrants.

Unlike ordinary shares, the deferred shares have no voting rights, no dividend rights and on a return of capital or winding up are entitled to a return of amounts credited as paid. The deferred shares are not transferrable and beneficial interests in the deferred shares can be transferred to such persons as the Directors may determine as custodian for no consideration without sanction of the holder. For this reason the deferred shares are excluded from any Earnings per share calculations.

Share options

The Company has a share option scheme for certain employees and former employees of the Group. The share options in issue during the year were as follows:

| Date granted | Exercise price | As at 1 July 2020 No. | Granted in year No. | Exercised in year No. | Lapsed/Cancelled No. | As at 30 June 2021 No. |
|------------------|----------------|-----------------------|---------------------|-----------------------|----------------------|------------------------|
| 16 August 2012 | 1p | 5,949,558 | - | - | - | 5,949,558 |
| 14 November 2012 | 1p | 6,663,505 | - | - | - | 6,663,505 |
| 16 April 2013 | 1p | 1,033,334 | - | - | - | 1,033,334 |
| 7 November 2013 | 1p | 2,086,667 | - | - | - | 2,086,667 |
| 1 May 2014 | 1p | 200,000 | - | - | - | 200,000 |
| 1 October 2015 | 1p | 2,500,000 | - | - | - | 2,500,000 |
| 27 January 2016 | 1p | 445,545 | - | - | - | 445,545 |
| 10 January 2020 | 1p | 27,400,000 | - | - | - | 27,400,000 |
| 30 March 2020 | 0.42p | 440,176,070 | - | - | 440,176,070 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Share capital (continued)

At the year-end, 45,278,609 options were exercisable (2020 – 472,754,679) as follows.

| Date granted | Exercise price | As at 30 June 2020 No. | Granted in year No. | Exercisable in year No. | Lapsed/Cancelled No. | As at 30 June 2021 No. |
|------------------|----------------|------------------------|---------------------|-------------------------|----------------------|------------------------|
| 16 August 2012 | 1p | 5,949,558 | - | - | - | 5,949,558 |
| 14 November 2012 | 1p | 6,663,505 | - | - | - | 6,663,505 |
| 16 April 2013 | 1p | 1,033,334 | - | - | - | 1,033,334 |
| 7 November 2013 | 1p | 2,086,667 | - | - | - | 2,086,667 |
| 1 May 2014 | 1p | 200,000 | - | - | - | 200,000 |
| 1 October 2015 | 1p | 1,500,000 | - | - | - | 1,500,000 |
| 27 January 2016 | 1p | 445,545 | - | - | - | 445,545 |
| 10 January 2020 | 1p | 13,700,000 | - | 13,700,000 | - | 27,400,000 |
| 30 March 2020 | 0.42p | 440,176,070 | - | - | 440,176,070 | - |

The exercise period of the options is as follows:

| Date granted | Expiry date | Exercise period |
|------------------|------------------|---|
| 16 August 2012 | 16 August 2022 | The options are exercisable 1/3 on the first anniversary of grant, 1/3 on the second anniversary of grant and the final 1/3 on the third anniversary of grant |
| 14 November 2012 | 14 November 2022 | |
| 16 April 2013 | 16 April 2023 | |
| 7 November 2013 | 7 November 2023 | |
| 1 May 2014 | 1 May 2024 | |
| 1 October 2015 | 1 October 2025 | |
| 27 January 2016 | 27 January 2026 | ½ on grant and the remaining ½ one year after the grant date. |
| 10 January 2020 | 9 January 2030 | |

Of the options granted on 1 October 2015, 1,000,000 are exercisable following first commercial production from the proposed 15 MW smelter.

The Group recognised a share based payment expense of £29,000 (2020 - £80,000) in the year. No options were exercised in the year.

On 30 March 2020, the Company announced that it had entered in a Share Option Agreement with IIG pursuant to which IIG could subscribe for 440,176,070 new Ordinary shares in the capital of the company at a price of 0.42 pence per share. The option agreement lapsed on 30 November 2020.

Share warrants

Pursuant to the loan facilities agreement, dated 3 February 2020 for £260,000 and referred to in note 19, the Company issued share warrants to the lenders over 26,000,000 shares at 1 pence per share. The warrants had a 2 years life and the lender was able to use the outstanding balances under the loan facilities to exercise the warrants. Following the approval of the conditional placing on 14 December 2020 and the repayment of the associated loans, these share warrants lapsed.

Pursuant to the share placing on 14 December 2020 Turner Pope were appointed as joint broker to the Placing and in addition to 3,333,333 New ordinary shares were issued with 95,833,333 broker warrants, exercisable at 0.3p (the placing price) for a period of 36 months from the date of admission. The broker warrants were transferrable and on 4 March 2021 17,500,000 warrants were exercised for £52,500. At the year-end, there were 78,333,333 broker warrants in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Reserves

| <i>Group</i> | Other reserve £000 | Share premium account £000 | Retained earnings £000 |
|--|--------------------------|-------------------------------------|------------------------------|
| At 1 July 2020 | 189 | 19,691 | (14,480) |
| Loss for the year | - | - | (460) |
| Reclassification to liability | (189) | - | - |
| Exchange difference on translation of foreign operations | - | - | 1,416 |
| Issue of share capital | - | 1,570 | - |
| Issue of share options and warrants | 15 | - | - |
| Credit for equity settled share based payments | - | - | 29 |
| At 30 June 2021 | 15 | 21,261 | (13,495) |

Other reserves represent the equity component of share options and share warrants issued in the year.

The balance classified as share premium is the premium on the issue of the Group's equity share capital, comprising 0.1p New Ordinary shares, 1p Ordinary shares and 0.1p deferred shares and 1p deferred shares less any costs of issuing the shares.

Retained earnings is made up of cumulative profits and losses to date, share based payments, adjustments arising from changes in non-controlling interests and exchange differences on translation of foreign operations.

Company

| | Other reserve £000 | Share premium account £000 | Retained earnings £000 |
|--|--------------------------|-------------------------------------|------------------------------|
| At 1 July 2020 | 189 | 19,691 | (5,384) |
| Loss for the period | - | - | (815) |
| Reclassification to liability | (189) | - | - |
| Issue of share capital | - | 1,570 | - |
| Issue of share options and warrants | 15 | - | - |
| Credit for equity settled share based payments | - | - | 29 |
| At 30 June 2021 | 15 | 21,261 | (6,170) |

Other reserves represent the equity component of share options and share warrants issued in the year.

The balance classified as share premium is the premium on the issue of the Group's equity share capital, comprising 0.1p New Ordinary shares, 1p ordinary shares and 0.1p deferred shares and 1p deferred shares less any costs of issuing the shares.

Retained earnings is made up of cumulative profits and losses to date, share based payments, adjustments arising from changes in non-controlling interests and exchange differences on translation of foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Cash generated from operations

| Group | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Operating loss | (783) | (695) |
| Depreciation on property, plant and equipment | 2 | 2 |
| Share based payment charge | 90 | 80 |
| Foreign exchange | (54) | - |
| Operating cash flows before movements in working capital | (745) | (613) |
| Movement in receivables | (59) | 61 |
| Movement in payables | 162 | 155 |
| Net cash used in operations | (642) | (397) |

| <i>Cash and cash equivalents</i> | 2021 £000 | 2020 £000 |
|----------------------------------|--------------|--------------|
| Cash and bank balances | 270 | 28 |

| Company | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Operating loss | (745) | (571) |
| Share based payment charge | 90 | 80 |
| Foreign exchange adjustments | (5) | - |
| Operating cash flows before movements in working capital | (660) | (491) |
| Movement in receivables | 17 | (6) |
| Movement in payables | 136 | 147 |
| Net cash used in operations | (507) | (350) |

| <i>Cash and cash equivalents</i> | 2021 £000 | 2020 £000 |
|----------------------------------|--------------|--------------|
| Cash and bank balances | 255 | 15 |

23. Significant non-cash transactions

On 15 December 2020, the company settled liabilities and paid for services by the issue of shares. The value of the shares issued was as follows:-

| | 2021 £000 | 2020 £000 |
|------------------------|--------------|--------------|
| Loan repayments | 785,211 | - |
| Accrued directors fees | 229,569 | - |
| Services provided | 97,000 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Related party transactions

Group

During the year the Group incurred £101,000 (2020 - £185,000) for consultancy services to Goldline Global Consulting (Pty) Limited, a company in which P Cox is materially interested. At 30 June 2021, £Nil (2020 - £392,000) remained unpaid in accruals. The accrued fees to 31 October 2020 were settled by the issue of 28,526,240 New Ordinary shares in the Company.

During the year the Group incurred £68,000 (2020 - £120,000) for consultancy services to Novem Consulting, a private company in which V von Ketelhodt is materially interested to the point at which he ceased to be a director of the company. At 30 June 2021, £Nil (2020 - £171,000) remained unpaid in accruals. The accrued fees to 31 October 2020 were settled by the issue of 13,838,534 New Ordinary shares in the Company.

Group and Company

The key management personnel of the Group are the directors. Directors' remuneration is disclosed in Note 5.

During the year the Company paid £48,000 (2020 - £48,000) for accounting services to Westleigh Investments Limited, a company in which G Clarke and N Harrison are materially interested.

Included in other loans at 1 July 2020 was a short term loan due to G Clarke of £10,000. The loan attracted interest at 8% per annum and was repaid during the year by the issue of 3,333,333 New Ordinary shares and the interest waived.

Further directors' remuneration of £151,804 (2020 - £96,805) was unpaid at the year-end along with £7,536 (2020 - £Nil) pension cost and is included in accruals. During the year £90,000 of directors' fees were settled by the issue of 10,409,796 New Ordinary shares.

25. Non-controlling interest

| | 2021 £000 | 2020 £000 |
|------------------------------|--------------|--------------|
| At 1 July | 3,109 | 3,721 |
| Exchange adjustments | 276 | (610) |
| Share of loss for the period | (5) | (2) |
| At 30 June | <u>3,380</u> | <u>3,109</u> |

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| | Proportion of voting rights and shares held | | Profit/ (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|------------------------------------|---|--------|---|--------------|---------------------------------------|--------------|
| | 2021 | (2020) | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| HW Iron (Proprietary) Limited | (32%) | (32%) | (3) | - | 1,077 | 989 |
| Lapon Mining (Proprietary) Limited | (26%) | (26%) | (1) | - | 2,313 | 2,124 |
| Other non-controlling interests | | | (1) | (2) | (10) | (4) |
| | | | <u>(5)</u> | <u>(2)</u> | <u>3,380</u> | <u>3,109</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Non-controlling interest (continued)

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. The accounts of the subsidiaries have been translated from their presentational currency of South African Rand (R) using the R: GBP exchange rate prevailing at 30 June 2021 of 19.711 (2020 – 21.468).

HW Iron (Proprietary) Limited

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Non-current assets | 6,765 | 6,261 |
| Current assets | 3 | 3 |
| Current liabilities | - | (1,970) |
| Non-current liabilities | (3,402) | (1,205) |
| | <u>3,366</u> | <u>3,090</u> |
| Equity attributable to owners of the Company | 2,289 | 2,101 |
| Non-controlling interest | 1,077 | 989 |
| | <u>1,077</u> | <u>989</u> |
| Revenue | - | - |
| Expenses | (10) | (1) |
| | <u>(10)</u> | <u>(1)</u> |
| Loss for the year | (10) | (1) |
| | <u>(10)</u> | <u>(1)</u> |
| Attributable to the owners of the Company | (7) | (1) |
| Attributable to the non-controlling interests | (3) | - |
| | <u>(3)</u> | <u>-</u> |
| Net cash outflow from operating activities | - | - |
| Net cash outflow from investing activities | (13) | (157) |
| Net cash inflow from financing activities | 13 | 157 |
| | <u>13</u> | <u>157</u> |
| Net cash inflow | - | - |
| | <u>-</u> | <u>-</u> |
| Net cash flow - Attributable to the non-controlling interests | - | - |
| | <u>-</u> | <u>-</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Non-controlling interest (continued)

Lapon Mining (Proprietary) Limited

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Non-current assets | 14,093 | 12,992 |
| Current assets | 4 | 2 |
| Current liabilities | - | (1,647) |
| Non-current liabilities | (5,202) | (3,179) |
| | <u>8,895</u> | <u>8,168</u> |
| Equity attributable to owners of the Company | 6,582 | 6,044 |
| Non-controlling interest | 2,313 | 2,124 |
| | <u>8,895</u> | <u>8,168</u> |
| Revenue | - | - |
| Expenses | (2) | (1) |
| Loss for the year | <u>(2)</u> | <u>(1)</u> |
| Attributable to the owners of the Company | (1) | (1) |
| Attributable to the non-controlling interests | (1) | - |
| | <u>(2)</u> | <u>(1)</u> |
| Net cash outflow from operating activities | (6) | (1) |
| Net cash outflow from investing activities | (10) | (153) |
| Net cash inflow from financing activities | 13 | 153 |
| Net cash flow | <u>(3)</u> | <u>(1)</u> |
| Net cash flow - Attributable to the non-controlling interests | <u>(1)</u> | <u>-</u> |

26. Financial commitments

At the year end the Group had no financial commitments under operating leases (2020 - £Nil).

27. Events arising after the reporting period

On 22 October 2021 the company announced a conditional Subscription Agreement with Grosvenor Resources (Pty) Limited ("Grosvenor") under which Grosvenor would subscribe approximately £5.6 million for 561,505,950 new ordinary shares at 1 pence per share.

The transaction was approved by shareholders in November 2021 and is expected to close early in 2022.

27. Control

The Directors consider that there is no overall controlling party.