

**IRONVELD PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**



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## DIRECTORS

### **Giles Clarke - Chairman**

Giles Clarke is Chairman of Amerisur Resources plc, Kennedy Ventures Plc, Westleigh Investments Holdings Ltd, and of several other 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 and co-founded Safestore which was sold in 2003 for £40 million. Giles is also President of the England and Wales Cricket Board and a Director of the International Cricket Council.

### **Peter Cox - Chief Executive**

Peter Cox started his career in the mining industry 37 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.

### **Vred von Ketelhodt – Chief Financial Officer**

Vred has over 20 years experience in the global metals and mining sector working as both a Mining Engineer and Corporate Finance professional. Vred has extensive corporate and project finance experience and has negotiated the provision of significant project debt and acquisition finance facilities for metals and mining ventures globally. He has also worked for a number of years in the investment banking sector managing venture capital and private equity investment funds. He gained early career experience in the metals and mining sector as a mining engineer with responsibility for mining operations and metal production leading production teams in the South Africa mining sector. Vred is a South African citizen, holds a BSc Eng degree and has an MBA from Heriot-Watt, Edinburgh, Scotland.

### **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 Finance Director of Pet City and has held finance director and chief executive positions in a number of private businesses. He is a director of Amerisur Resources plc, Kennedy Ventures Plc and a number of private organisations.

### **Rupert Fraser - Non-Executive Director**

Rupert Fraser has over 20 years of experience in the investment banking industry. Rupert Fraser is a Senior Partner of Kildare Partners. Previously he was head of Equities at Evolution Securities from 2009 to 2011, prior to which he spent 16 years at Dresdner Kleinwort, where in 2005 he was appointed Managing Director, Global Head of Equity Distribution. He is a founding partner of Kildare Partners.

**ADVISORS**

|                          |                                                                                                            |
|--------------------------|------------------------------------------------------------------------------------------------------------|
| <b>Company secretary</b> | K J Pinnell                                                                                                |
| <b>Company number</b>    | 04095614 (England and Wales)                                                                               |
| <b>Registered office</b> | Lakeside<br>Fountain Lane<br>St. Mellons<br>Cardiff CF3 0FB                                                |
| <b>Nominated Adviser</b> | Shore Capital and Corporate Limited<br>Bond Street House<br>14 Clifford Street<br>London W1S 4JU           |
| <b>Broker</b>            | Shore Capital Stockbrokers Limited<br>Bond Street House<br>14 Clifford Street<br>London W1S 4JU            |
| <b>Auditors</b>          | UHY Hacker Young Manchester LLP<br>St James Building<br>79 Oxford Street<br>Manchester M1 6HT              |
| <b>Bankers</b>           | HSBC<br>97 Bute Street<br>Cardiff CF10 5NA<br><br>Investec Bank Plc<br>2 Gresham Street<br>London EC2V 7QP |
| <b>Solicitors</b>        | Kuit Steinart Levy LLP<br>3 St Mary's Parsonage<br>Manchester M3 2RD                                       |
| <b>Registrar</b>         | Capita IRG Plc<br>Northern House<br>Woodsome Park<br>Fenay Bridge<br>Huddersfield HD8 0LA                  |

## CHAIRMAN'S STATEMENT - STRATEGIC REPORT

Over the last twelve months we have made strong operational and financial progress across the business as we continue to transition the Company towards construction of our world class integrated High Purity Iron ("HPI"), Vanadium and Titanium project on the Northern Limb of the Bushveld complex in the Limpopo province of South Africa. The focus for the Period remained firmly on de-risking the Project and executing offtake agreements for our high quality and globally important products. The Period culminated with executing offtake partnerships on all three products, importantly with international and highly reputable partners.

As I mentioned in my interim Chairman's statement, the Project is a highly deliverable polymetallic operation that represents a strategically important project for the South African Government. Post Period we have seen further government endorsement for the Project with the International Development Corporation ("IDC"), a national development finance institution set up to promote growth and industrial development, providing Project debt and equity funding of R244.08 million (approx. US\$17.9 million). This accompanies the Project's inclusion by the Government in the 12I tax allowance incentive scheme in September 2014, which is estimated to be worth R 54.6 million (approximately GBP 3.1 million). Both the above are material stamps of approval from the Government, who we have a strong working relationship with.

There were a number of significant achievements during the Period. In December the Company was informed by Hacra Mining and Exploration (Pty) Ltd ("HACRA"), a wholly owned subsidiary of Sylvania Platinum Limited, that the mining right for magnetite on the Harriets Wish, Cracouw and Aurora farms had been executed and the associated Environmental Management Programme approved by the Department of Mineral Resources. The Company awaits the execution of the mining right on farms Nonnewerth, La Pucella and Altona for the mining of magnetite (the Pan Palladium Right). These farms make up the future Project farms that the Company anticipates mining. In terms of exploration, in December the Company successfully executed the prospecting right on the Non Plus Ultra farm that sits adjacent to Nonnewerth, La Pucella and Altona and represents a highly prospective target for future VTM feed to the smelter.

Final approvals were obtained and finalised in May for the Section 11 transfer, transferring the Mineral Right to HW Iron (Pty) Ltd and the Environmental Impact Assessment for Pan Palladium (Pty) Ltd, a wholly owned subsidiary of Sylvania Platinum Limited has been granted. The Pan Palladium right relating to the acquisition from Sylvania is expected to be granted and transferred to Ironveld in the first quarter of 2017.

Power is an important component to the Project and during the Period we received a written undertaking from Eskom confirming power supply availability. Eskom's power supply has stabilised significantly during the Period and their commitment to bring further capacity on line remains strong. As per the Project DFS, it is our intention to augment this power supply with backup power for critical operations.

Planning is at an advanced stage with draft construction contracts being negotiated and requests for quotes from mining contractors for mining operations having been circulated. Contracts are currently at the subject of due diligence by the senior debt providers and will be concluded upon completion of their due diligence.

The land lease agreement for the farm Altona, where the 15MW DC smelter is planned to be constructed, is currently being finalised by the Department of Rural Development and Land Development, who are the land owner.

By way of de-risking the Project and allowing for Project funding to be executed, in May and June we finalised agreements with two partners for the offtake of 100 per cent of all three products for the first 5 years of the LOM. Oreport, a South African based, majority black owned, global trading company will take 100 per cent of the HPI and titanium slag representing 42,000 tonnes and 8,269 tons per annum respectively (as projected in the Projects Definitive Feasibility Study). An established international company will take 100 per cent of the Vanadium slag product, again from first production and for a period of five years of LOM. These agreements were executed on attractive price terms for the Company, represent material endorsement for the quality of the products and are reflective of the strong international market demand across all three products. Importantly they provide financial security to the Company in the early years of the Project's long life.

## CHAIRMAN'S STATEMENT - STRATEGIC REPORT (continued)

By way of a reminder, the company will produce HPI in powder form. This product is widely used in powder metallurgy, magnetic materials and in a variety of specialist applications and is a growing market driven by the continuous introduction of new materials and technologies. Vanadium has extensive applications including the grid energy storage market, where vanadium redox flow batteries are under development, being heralded as the "missing-link" in volume storage for clean energy. Titanium, which is used in the pigment industry as well as in the steel and alloying industries, is a key part of a new battery technology.

The Company is in continual discussions with potential Project funders for the remaining part of the Project financing and has received specific proposals and ongoing due diligence is taking place. We continue to see currency movements that benefit project economics and which are expected to result in a positive cash flow impact.

We continue to work closely with the local communities in our project area and on our efforts to improve community engagement and standards of living. Our Keep a Girl in School Programme goes from strength to strength as we work closely with our partners, the Imbumba Foundation and the Nelson Mandela Foundation, to provide hygiene support to 605 female student at schools in the Project area. The Company has received supporting letters from both parents and girls as to the impact the programme has made to their lives. As a result of this success, the Company is in the process of starting a programme for male students encouraging academic and sporting achievement.

### Financial

The group recorded a loss before tax of £0.6m (2015: £0.6m) and cash balances of £0.1m (2015: £1.4m) at the end of the period. The Company does not plan to pay a dividend for the year ended 30 June 2016.

### Management

During the Period, we were delighted to strengthen the management team and welcome Mr Vred von Ketelhodt as CFO and Mr Thamaga Mphahlele as CEO designate to Ironveld Smelting (Pty) Ltd, a subsidiary of Ironveld plc, responsible for managing operations and the team during the development of the Project.

Mr von Ketelhodt has a 25 year career in the mining industry with significant management, financial and project management expertise and has been providing consultancy services to the Company since February 2013. Thamaga is a registered professional electrical engineer, most recently at Eskom SOC in a variety of technical engineering roles.

### Outlook

Management are working tirelessly to conclude financing for the Project and the Company is now in as strong a position as it has ever been with respect to executing this key milestone. In addition, we continue to make excellent headway on the ground as we look to begin construction during 2017.

The Board is confident of the fundamentals of the Project and its ability to generate significant cash flow supported by strong market demand for the end products. We would like to thank all of our shareholders for their continued support as we enter a transformational period for the Company. We look forward to updating shareholders in the near future.



Giles Clarke  
**Chairman**  
6 December 2016

## DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 June 2016. The Corporate Governance Statement set out on pages 7 and 8 forms part of this report.

### Principal activity

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

### Dividends

The Directors do not propose the payment of a dividend for the period.

### Directors and their interests

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

G Clarke  
N Harrison  
P Cox  
R Fraser  
V von Ketelhodt (appointed 7 July 2015)

The beneficial and other interests of the Directors at the period end and their families in the shares of the Company and its subsidiary undertakings were as follows:

|                 | 30 June 2016<br>1p ordinary<br>shares<br>Number | 30 June 2015<br>1p ordinary<br>shares<br>Number |
|-----------------|-------------------------------------------------|-------------------------------------------------|
| G Clarke        | 17,544,383                                      | 16,752,151                                      |
| N Harrison      | 12,765,865                                      | 11,973,633                                      |
| P Cox           | 259,161                                         | 259,161                                         |
| R Fraser        | 500,052                                         | 500,052                                         |
| V von Ketelhodt | 262,500                                         | -                                               |

V von Ketelhodt held 262,500 shares in the company at appointment on 7 July 2015.

G Clarke and N Harrison's interests in 9,173,581 (2015 - 9,173,581) shares are through their shareholding in Westleigh Investments Holdings Limited.

Details of Directors' interest in share options are provided in the Directors' remuneration report on pages 9 and 10.

In addition to the above interests, G Clarke and N Harrison have an interest in 8,399,966 (2015 - 8,399,966) shares through share warrants held by Westleigh Investments Holdings Limited.

## DIRECTORS' REPORT (continued)

### Political contributions

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

### Substantial shareholdings

As at 29 November 2016 the Company had been notified of the following holdings of 3% or more of its issued share capital other than the Directors' direct holdings on page 5:

|                                  | Number of<br>ordinary shares | Percentage |
|----------------------------------|------------------------------|------------|
| HSBC Global Custody Nominee (UK) | 49,192,956                   | 13.3%      |
| Rene Nominees (IoM) Limited      | 39,866,892                   | 10.8%      |
| Hargreaves Lansdown (Nominees)   | 25,937,013                   | 7.0%       |
| Fiske Nominees Limited           | 22,400,314                   | 6.0%       |
| Chase Nominees Limited           | 18,725,734                   | 5.1%       |
| Ghc Nominees Limited             | 17,441,933                   | 4.7%       |
| Barclayshare Nominees Limited    | 15,732,432                   | 4.2%       |
| Hsdl Nominees Limited            | 14,139,492                   | 3.8%       |
| Td Direct Investing Nominees     | 12,429,698                   | 3.4%       |

### Going concern

The Group's present resources and existing facilities are only considered adequate to meet committed overhead expenditure for the period to 30 June 2017 by which time the Directors expect to have completed the full funding of the Project (the High Purity Iron, Vanadium and Titanium project located on the Northern Limb of the Bushveld Complex in Limpopo Province, South Africa owned by the Group). The Group announced on 6 October 2016 that they have received approval for a ZAR244m funding package for the Project and were in the process of executing formal funding agreements. The Group is also in advanced stages of negotiating the remaining debt agreements for the Project. Overall a ZAR 871m financing package is proposed.

The Directors are confident that sufficient funds can be raised for this additional planned activity and therefore have a reasonable expectation that the Group will have 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 the Project and is actively engaged in raising finance to allow the development to proceed. For this reason, the Board continues to adopt the going concern basis in the preparation of the financial statements.

### Directors' indemnities

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

### 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 6 December 2016 and signed on its behalf by:

  
K J Pinnell  
Company secretary

## CORPORATE GOVERNANCE STATEMENT

### Code of best practice

The Board acknowledges the importance of the UK Corporate Governance Code ("the Code") and has reviewed the Group's consistency with the provisions of the Code as appended to the Listing Rules of the Financial Conduct Authority. This statement explains how the Group has voluntarily applied principles of the Code and confirms that it has consistently complied with these throughout the period.

### The Board of Directors

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 role of the Chairman is to supervise the Board and to ensure its effective control of the business, and that of the Chief Executive 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 has established the following committees to fulfil specific functions:

**The Audit Committee** comprises Giles Clarke, Nicholas Harrison and Rupert Fraser. It 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** comprises Giles Clarke, Nicholas Harrison and Rupert Fraser. It 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** comprises Giles Clarke, Nicholas Harrison and Rupert Fraser. It 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.

### Status of Non-Executive directors

None 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 interest of shareholders.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Internal control**

The Board is responsible for ensuring that the Group maintains adequate internal control over the business and its assets.

The effectiveness of the Group's system of internal financial controls, for the period to 30 June 2016 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.

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 of 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.

### **Relations with shareholders**

The Company maintains effective contact with its principal shareholders and welcomes communications from its private investors.

## 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

|                                         | Fees/Salary<br>£000 | Benefits<br>in kind<br>£000 | 2016<br>Total<br>£000 | 2015<br>Total<br>£000 |
|-----------------------------------------|---------------------|-----------------------------|-----------------------|-----------------------|
| N Harrison*                             | 45                  | -                           | 45                    | 45                    |
| R Fraser *                              | 45                  | -                           | 45                    | 45                    |
| G Clarke**                              | 45                  | -                           | 45                    | 45                    |
| P Cox***                                | 118                 | -                           | 118                   | 140                   |
| T McConnachie (resigned 19 March 2015)  | -                   | -                           | -                     | 32                    |
| V Von Ketelhodt (appointed 7 July 2015) | 56                  | -                           | 56                    | -                     |
|                                         | <u>309</u>          | <u>-</u>                    | <u>309</u>            | <u>307</u>            |

\* Member of the Remuneration Committee

\*\* Member and Chairman of the Remuneration Committee

\*\*\* Highest-paid Director during the year

### Pensions

No pension contributions were made during the year (2015 - £Nil).

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 2016, are as follows:

| Director   | Option price | Date of Grant | Expiry date | 1 July 2015 | Granted | 30 June 2016 |
|------------|--------------|---------------|-------------|-------------|---------|--------------|
| 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    |
| R Fraser   | 1p           | 16/04/2013    | 16/04/2023  | 1,000,000   | -       | 1,000,000    |
| 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      |
| R Fraser   | 1p           | 27/01/2016    | 27/01/2026  | -           | 445,545 | 445,545      |

**DIRECTORS' REMUNERATION REPORT (continued)**

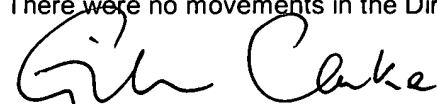
**Directors' share options (continued)**

The share options are exercisable as follows:-

- 1/3 on the first anniversary of grant.
- 1/3 on the second anniversary of grant.
- 1/3 on the third anniversary of grant.

The market price of the Company's shares at 30 June 2016 was 4.5p with a range of 3.75p to 6.5p during the year.

There were no movements in the Directors' share options after the year end.



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 Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. 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 European Union, 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



P. Cox

Director

6 December 2016

## INDEPENDENT AUDITORS' REPORT



**Registered Auditor**  
UHY Hacker Young Manchester LLP  
St. James Building  
79 Oxford Street  
Manchester M1 6HT

### **To the members of Ironveld Plc**

We have audited the financial statements of Ironveld Plc for the year ended 30 June 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and the Parent Company balance sheets, the consolidated and Company cash flow statements, the consolidated and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Parent 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 auditors' 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT (continued)



**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the Group and the Parent Company's affairs as at 30 June 2016 and of the Group's and the Parent Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the Group and Company's ability to continue as a going concern. The Group and Company are currently negotiating a finance package to fund the additional planned activity beyond June 2017 and this indicates the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, the information given in the Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 to be audited 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.

A handwritten signature in black ink, appearing to read 'David Symonds', written over a horizontal line.

David Symonds  
Senior Statutory Auditor  
for and on behalf of

6 December 2016

UHY Hacker Young Manchester LLP  
Chartered Accountants  
Statutory Auditor

CONSOLIDATED INCOME STATEMENT

|                            |          | Year<br>ended<br>2016<br>£000 | As restated<br>Year<br>ended<br>2015<br>£000 |
|----------------------------|----------|-------------------------------|----------------------------------------------|
|                            | Note     |                               |                                              |
| Administrative expenses    |          | (494)                         | (520)                                        |
| <b>Operating loss</b>      | <b>4</b> | <u>(494)</u>                  | <u>(520)</u>                                 |
| Investment revenues        | <b>6</b> | -                             | 1                                            |
| Finance costs              | <b>7</b> | (91)                          | (74)                                         |
| <b>Loss before tax</b>     |          | <u>(585)</u>                  | <u>(593)</u>                                 |
| Tax                        | <b>8</b> | -                             | -                                            |
| <b>Loss for the period</b> |          | <u><u>(585)</u></u>           | <u><u>(593)</u></u>                          |
| Attributable to:           |          |                               |                                              |
| Owners of the company      |          | (584)                         | (592)                                        |
| Non-controlling interests  |          | (1)                           | (1)                                          |
|                            |          | <u><u>(585)</u></u>           | <u><u>(593)</u></u>                          |
| <b>Loss per share</b>      |          |                               |                                              |
| <b>- Basic and diluted</b> | <b>9</b> | <u><u>(0.18p)</u></u>         | <u><u>(0.20p)</u></u>                        |

There is no difference between the results as disclosed above and the results on a historical cost basis. The income statement has been prepared on the basis that all operations are continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                          | Year<br>ended<br>2016<br>£000 | As restated<br>Year<br>ended<br>2015<br>£000 |
|----------------------------------------------------------|-------------------------------|----------------------------------------------|
| Loss for the period                                      | (585)                         | (593)                                        |
| Exchange difference on translation of foreign operations | <u>(525)</u>                  | <u>(600)</u>                                 |
| <b>Total comprehensive income for the period</b>         | <b><u>(1,110)</u></b>         | <b><u>(1,193)</u></b>                        |
| Attributable to:                                         |                               |                                              |
| Owners of the company                                    | (954)                         | (1,025)                                      |
| Non-controlling interests                                | <u>(156)</u>                  | <u>(168)</u>                                 |
|                                                          | <b><u>(1,110)</u></b>         | <b><u>(1,193)</u></b>                        |

CONSOLIDATED BALANCE SHEET

|                                                     |             | 2016<br>£000   | As restated<br>2015<br>£000 |
|-----------------------------------------------------|-------------|----------------|-----------------------------|
| <b>Non-current assets</b>                           | <b>Note</b> |                |                             |
| Other intangible assets                             | 11          | 21,509         | 21,743                      |
| Property, plant and equipment                       | 12          | 9              | 14                          |
|                                                     |             | <u>21,518</u>  | <u>21,757</u>               |
| <b>Current assets</b>                               |             |                |                             |
| Trade and other receivables                         | 14          | 234            | 77                          |
| Cash and cash equivalents                           |             | 113            | 1,407                       |
|                                                     |             | <u>347</u>     | <u>1,484</u>                |
| <b>Total assets</b>                                 |             | <u>21,865</u>  | <u>23,241</u>               |
| <b>Current liabilities</b>                          |             |                |                             |
| Trade and other payables                            | 15          | (186)          | (185)                       |
| Borrowings                                          | 16          | (992)          | (1,149)                     |
|                                                     |             | <u>(1,178)</u> | <u>(1,334)</u>              |
| <b>Non-current liabilities</b>                      |             |                |                             |
| Deferred tax liabilities                            | 17          | (4,699)        | (4,930)                     |
|                                                     |             | <u>(4,699)</u> | <u>(4,930)</u>              |
| <b>Total liabilities</b>                            |             | <u>(5,877)</u> | <u>(6,264)</u>              |
| <b>Net assets</b>                                   |             | <u>15,988</u>  | <u>16,977</u>               |
| <b>Equity</b>                                       |             |                |                             |
| Share capital                                       | 19          | 6,500          | 6,474                       |
| Share premium                                       | 20          | 16,136         | 16,056                      |
| Other reserves                                      | 20          | 21             | 21                          |
| Retained earnings                                   | 20          | (10,006)       | (8,902)                     |
| <b>Equity attributable to owners of the company</b> |             | <u>12,651</u>  | <u>13,649</u>               |
| <b>Non-controlling interests</b>                    | 23          | 3,337          | 3,328                       |
| <b>Total equity</b>                                 |             | <u>15,988</u>  | <u>16,977</u>               |

These financial statements were approved by the Board and authorised for issue on 6 December 2016.

Signed on behalf of the Board

  
P Cox  
Director

Company Registration No: 04095614

PARENT COMPANY BALANCE SHEET

|                                                                | Note | 2016<br>£000  | 2015<br>£000  |
|----------------------------------------------------------------|------|---------------|---------------|
| <b>Non-current assets</b>                                      |      |               |               |
| Investments                                                    | 13   | 18,954        | 17,776        |
| <b>Current assets</b>                                          |      |               |               |
| Trade and other receivables                                    | 14   | 78            | 86            |
| Cash and cash equivalents                                      |      | 74            | 1,381         |
|                                                                |      | <u>152</u>    | <u>1,467</u>  |
| <b>Total assets</b>                                            |      | <u>19,106</u> | <u>19,243</u> |
| <b>Current liabilities</b>                                     |      |               |               |
| Trade and other payables                                       | 15   | (179)         | (169)         |
| <b>Total liabilities</b>                                       |      | <u>(179)</u>  | <u>(169)</u>  |
| <b>Net assets</b>                                              |      | <u>18,927</u> | <u>19,074</u> |
| <b>Equity</b>                                                  |      |               |               |
| Share capital                                                  | 19   | 6,500         | 6,474         |
| Share premium                                                  | 20   | 16,136        | 16,056        |
| Other reserves                                                 | 20   | 21            | 21            |
| Retained earnings                                              | 20   | (3,730)       | (3,477)       |
| <b>Total equity</b><br>(Attributable to owners of the Company) |      | <u>18,927</u> | <u>19,074</u> |

These financial statements were approved by the Board and authorised for issue on 6 December 2016.

Signed on behalf of the Board

  
P. Cox  
Director

Company Registration No: 04095614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>Attributable to owners of the company</i>                                  | Share<br>Capital | Share<br>Premium | Warrant<br>Reserve | Retained<br>Earnings | Total         |
|-------------------------------------------------------------------------------|------------------|------------------|--------------------|----------------------|---------------|
|                                                                               | £000             | £000             | £000               | £000                 | £000          |
| <b>As at 1 July 2014</b>                                                      | 6,097            | 14,097           | 21                 | (8,635)              | 11,580        |
| Prior period adjusted                                                         | -                | -                | -                  | 739                  | 739           |
| <b>At 1 July 2014 (as restated)</b>                                           | <u>6,097</u>     | <u>14,097</u>    | <u>21</u>          | <u>(7,896)</u>       | <u>12,319</u> |
| Other comprehensive income (as restated)                                      | -                | -                | -                  | (600)                | (600)         |
| Issue of share capital                                                        | 377              | 1,959            | -                  | -                    | 2,336         |
| Credit for equity-settled<br>share based payments                             | -                | -                | -                  | 221                  | 221           |
| Adjustment arising from changes<br>in non-controlling interests as (restated) | -                | -                | -                  | (35)                 | (35)          |
| Loss for the year (as restated)                                               | -                | -                | -                  | (592)                | (592)         |
| <b>At 30 June 2015 (as restated)</b>                                          | <u>6,474</u>     | <u>16,056</u>    | <u>21</u>          | <u>(8,902)</u>       | <u>13,649</u> |
| Other comprehensive income                                                    | -                | -                | -                  | (525)                | (525)         |
| Issue of share capital                                                        | 26               | 80               | -                  | -                    | 106           |
| Credit for equity-settled<br>share based payments                             | -                | -                | -                  | 171                  | 171           |
| Adjustment arising from changes<br>in non-controlling interests               | -                | -                | -                  | (166)                | (166)         |
| Loss for the year                                                             | -                | -                | -                  | (584)                | (584)         |
| <b>Balance at 30 June 2016</b>                                                | <u>6,500</u>     | <u>16,136</u>    | <u>21</u>          | <u>(10,006)</u>      | <u>12,651</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| <i>Total equity</i>                                                           | <b>Owners of<br/>the company<br/>£000</b> | <b>Non-controlling<br/>Interest<br/>£000</b> | <b>Total<br/>Equity<br/>£000</b> |
|-------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------|----------------------------------|
| <b>As at 1 July 2014</b>                                                      | 11,580                                    | 3,410                                        | 14,990                           |
| Prior period adjustment                                                       | 739                                       | 157                                          | 896                              |
| <b>At 1 July 2014 (as restated)</b>                                           | <u>12,319</u>                             | <u>3,567</u>                                 | <u>15,886</u>                    |
| Other comprehensive income (as restated)                                      | (600)                                     | (168)                                        | (768)                            |
| Issue of share capital                                                        | 2,336                                     | -                                            | 2,336                            |
| Credit for equity-settled share based payments                                | 221                                       | -                                            | 221                              |
| Adjustment arising from changes in<br>non-controlling interests (as restated) | (35)                                      | (70)                                         | (105)                            |
| Loss for the year (as restated)                                               | (592)                                     | (1)                                          | (593)                            |
| <b>Balance at 30 June 2015 (as restated)</b>                                  | <u>13,649</u>                             | <u>3,328</u>                                 | <u>16,977</u>                    |
| Other comprehensive income                                                    | (525)                                     | (156)                                        | (681)                            |
| Issue of share capital                                                        | 106                                       | -                                            | 106                              |
| Credit for equity-settled share based payments                                | 171                                       | -                                            | 171                              |
| Adjustment arising from changes in non-controlling interests                  | (166)                                     | 166                                          | -                                |
| Loss for the year                                                             | (584)                                     | (1)                                          | (585)                            |
| <b>Balance at 30 June 2016</b>                                                | <u>12,651</u>                             | <u>3,337</u>                                 | <u>15,988</u>                    |

# COMPANY STATEMENT OF CHANGES IN EQUITY

Equity attributable to the equity holders of the Company:

|                                                   | Share<br>Capital<br>£000 | Share<br>Premium<br>£000 | Warrant<br>Reserve<br>£000 | Retained<br>Earnings<br>£000 | Total<br>Equity<br>£000 |
|---------------------------------------------------|--------------------------|--------------------------|----------------------------|------------------------------|-------------------------|
| <b>Balance at 1 July 2014</b>                     | 6,097                    | 14,097                   | 21                         | (3,246)                      | 16,969                  |
| Issue of share capital                            | 377                      | 1,959                    | -                          | -                            | 2,336                   |
| Credit for equity-settled<br>share based payments | -                        | -                        | -                          | 221                          | 221                     |
| Loss for the year                                 | -                        | -                        | -                          | (452)                        | (452)                   |
| <b>Balance at 30 June 2015</b>                    | 6,474                    | 16,056                   | 21                         | (3,477)                      | 19,074                  |
| Credit for equity-settled<br>share based payments | -                        | -                        | -                          | 171                          | 171                     |
| Issue of share capital                            | 26                       | 80                       | -                          | -                            | 106                     |
| Loss for the year                                 | -                        | -                        | -                          | (424)                        | (424)                   |
| <b>Balance at 30 June 2016</b>                    | 6,500                    | 16,136                   | 21                         | (3,730)                      | 18,927                  |

**CONSOLIDATED CASH FLOW STATEMENT**

|                                                             | Note      | Year<br>ended<br>2016<br>£000 | Year<br>ended<br>2015<br>£000 |
|-------------------------------------------------------------|-----------|-------------------------------|-------------------------------|
| <b>Net cash used in operating activities</b>                | <b>21</b> | <b>(470)</b>                  | <b>(286)</b>                  |
| <b>Investing activities</b>                                 |           |                               |                               |
| Purchases of property, plant and equipment                  |           | (4)                           | (1)                           |
| Purchase of exploration and evaluation assets               |           | (821)                         | (840)                         |
| Contribution to exploration and evaluation assets           |           | 187                           | -                             |
| Interest received                                           |           | -                             | 1                             |
| <b>Net cash used in investing activities</b>                |           | <b>(638)</b>                  | <b>(840)</b>                  |
| <b>Financing activities</b>                                 |           |                               |                               |
| Proceeds on issue of equity (net of costs)                  |           | 6                             | 2,129                         |
| Repayment of borrowings                                     |           | (187)                         | (333)                         |
| <b>Net cash (used)/generated by financing activities</b>    |           | <b>(181)</b>                  | <b>1,796</b>                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |           | <b>(1,289)</b>                | <b>670</b>                    |
| <b>Cash and cash equivalents at beginning of period</b>     | <b>21</b> | <b>1,407</b>                  | <b>738</b>                    |
| Effects of foreign exchange rates                           |           | (5)                           | (1)                           |
| <b>Cash and cash equivalents at end of period</b>           | <b>21</b> | <b>113</b>                    | <b>1,407</b>                  |

COMPANY CASH FLOW STATEMENT

|                                                             | Note      | Year<br>ended<br>2016<br>£000 | Year<br>ended<br>2015<br>£000 |
|-------------------------------------------------------------|-----------|-------------------------------|-------------------------------|
| <b>Net cash from operating activities</b>                   | <b>21</b> | <b>(231)</b>                  | <b>(237)</b>                  |
| <b>Investing activities</b>                                 |           |                               |                               |
| Interest received                                           |           | -                             | 1                             |
| Payments to acquire investments                             |           | (1,082)                       | (1,230)                       |
| <b>Net cash used in investing activities</b>                |           | <b>(1,082)</b>                | <b>(1,229)</b>                |
| <b>Financing activities</b>                                 |           |                               |                               |
| Proceeds on issue of equity (net of costs)                  |           | 6                             | 2,129                         |
| <b>Net cash generated from financing activities</b>         |           | <b>6</b>                      | <b>2,129</b>                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |           | <b>(1,307)</b>                | <b>663</b>                    |
| <b>Cash and cash equivalents at<br/>beginning of period</b> | <b>21</b> | <b>1,381</b>                  | <b>718</b>                    |
| <b>Cash and cash equivalents at end of period</b>           | <b>21</b> | <b>74</b>                     | <b>1,381</b>                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

Ironveld Plc is a public company incorporated in the United Kingdom 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 Strategic Report on pages 3 to 4.

### Adoption of new and revised Standards

There were no new or amended IFRS standards or IFRIC interpretations adopted for the first time in these financial statements that had a material impact on the financial statements.

At the date of authorisation of these financial statements, the following accounting standards, amendments to existing standards and interpretations are not yet effective and have not been adopted early by the Group.

|                                |                                                                      |
|--------------------------------|----------------------------------------------------------------------|
| IFRS 14                        | Regulatory Deferral Accounts                                         |
| IFRS 15                        | Revenue from Contracts with Customers                                |
| IFRS 11 (amended)              | Accounting for Acquisitions of Interests in Joint Operations         |
| IAS 16 & 38 (amended)          | Clarification of Acceptable Methods of Depreciation and Amortisation |
| IFRS 9 (2014)                  | IFRS 9 Financial Instruments (2014)                                  |
| IAS 27 (amended)               | Equity Method in Separate Financial Statements                       |
| IFRS 10, 12 & IAS 28 (amended) | Investment Entities: Applying the Consolidation Exception            |
| IAS 1 (amended)                | Disclosure Initiative                                                |
| IFRS 16                        | Leases                                                               |
| IAS 12 (amended)               | Recognition of Deferred Tax Assets for Unrealised Losses             |
| IAS 7 (amended)                | Disclosure Initiative                                                |
| IFRS 15 (Clarification)        | Revenue from Contracts with Customers                                |
| IFRS 2 (amendments)            | Classification and Measurement of Share-based Payment Transactions   |

Annual Improvements to IFRSs 2012-2014 Cycle.

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the group/company's result for the year or equity.

### 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 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis. 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 acquirees 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 exploration and evaluation 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 at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Significant accounting policies (continued)

#### *Leases*

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

#### *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.

#### *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. Appropriate allowances for the estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### *Financial liability and equity*

Interest bearing bank loans and 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 long term borrowings.

#### *Investments*

Investments 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.

#### *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 have 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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*

The Group's present resources and existing facilities are only considered adequate to meet committed overhead expenditure for the period to 30 June 2017 by which time the Directors expect to have completed the full funding of the Project (the High Purity Iron, Vanadium and Titanium project located on the Northern Limb of the Bushveld Complex in Limpopo Province, South Africa owned by the Group). The Group announced on 6 October 2016 that they have received approval for a ZAR244m funding package for the Project and were in the process of executing formal funding agreements. The Group is also in advanced stages of negotiating the remaining debt agreements for the Project. Overall a ZAR 871m financing package is proposed.

The Directors are confident that sufficient funds can be raised for this additional planned activity and therefore have a reasonable expectation that the Group will have 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 the Project and is actively engaged in raising finance to allow the development to proceed. For this reason, the Board continues to adopt the going concern basis in the preparation of the financial statements.

#### *Fair value of share based payments*

Calculation of the fair value of the share based payments issued requires estimates to be used for the share price volatility, the risk free rate and the model with which to calculate the fair value.

#### *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 company. No such indicators of impairment were identified and therefore no impairment review has been carried out.

#### *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.

#### *Useful lives of property, plant and equipment*

Property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are based on judgement and experience and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

Operating loss for the period is shown after charging:

|                                       | Year<br>Ended<br>2016<br>£000 | Year<br>ended<br>2015<br>£000 |
|---------------------------------------|-------------------------------|-------------------------------|
| Net foreign exchange (losses)/gains   | (5)                           | 4                             |
| Depreciation on tangible assets       | 8                             | 8                             |
| Operating leases - Land and buildings | 25                            | 25                            |
|                                       | <u>28</u>                     | <u>37</u>                     |

### Auditors remuneration

|                                                                                |           |           |
|--------------------------------------------------------------------------------|-----------|-----------|
| Fees payable to the auditors for the audit of the company's accounts           | 24        | 24        |
| Fees payable to the company's auditors and its associates for other services:- |           |           |
| The audit of the company's subsidiaries                                        | 8         | 8         |
| Tax compliance services                                                        | 3         | 3         |
| Other assurance services                                                       | 9         | 6         |
|                                                                                | <u>24</u> | <u>37</u> |

### 5. Staff costs

|                                                                                                 | Year<br>ended<br>2016<br>£000 | Year<br>ended<br>2015<br>£000 |
|-------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Wages and salaries                                                                              | 519                           | 652                           |
| Social security costs                                                                           | 17                            | 17                            |
| Share based payments                                                                            | 155                           | 221                           |
|                                                                                                 | <u>691</u>                    | <u>890</u>                    |
| Directors remuneration and fees                                                                 | 309                           | 307                           |
| The aggregate remuneration paid to the highest paid director was                                | 118                           | 140                           |
| The average monthly number of employees, including Directors, during the period was as follows: | 2016<br>Number                | 2015<br>Number                |
| Administration and management                                                                   | 16                            | 14                            |

Further details of the Directors' remuneration are given in the Directors' Remuneration Report on pages 9 and 10.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. Investment revenues

|                           | Year ended<br>2016<br>£000 | Year ended<br>2015<br>£000 |
|---------------------------|----------------------------|----------------------------|
| Interest on bank deposits | -                          | 1                          |

### 7. Finance costs

|                                   | Year ended<br>2016<br>£000 | Year ended<br>2015<br>£000 |
|-----------------------------------|----------------------------|----------------------------|
| Loan interest and similar charges | 91                         | 74                         |
|                                   | <u>91</u>                  | <u>74</u>                  |

### 8. Tax

|                                                                                                                                       | Year ended<br>2016<br>£000 | As restated<br>Year ended<br>2015<br>£000 |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|
| <i>a) Tax charge for the period</i>                                                                                                   |                            |                                           |
| Corporation tax:                                                                                                                      |                            |                                           |
| Current period                                                                                                                        | -                          | -                                         |
| Deferred tax (note 17)                                                                                                                | -                          | -                                         |
|                                                                                                                                       | <u>-</u>                   | <u>-</u>                                  |
| <br><i>b) Factors affecting the tax charge for the period</i>                                                                         |                            |                                           |
| Loss on ordinary activities for the period before taxation                                                                            | (585)                      | (593)                                     |
|                                                                                                                                       | <u>(585)</u>               | <u>(593)</u>                              |
| <br>Loss on ordinary activities for the period before taxation multiplied by effective rate of corporation tax of 20% (2015 - 20.75%) | (117)                      | (123)                                     |
| <br><i>Effects of :</i>                                                                                                               |                            |                                           |
| Non-deductible expenses                                                                                                               | 34                         | 46                                        |
| Unused tax losses not recognised                                                                                                      | 83                         | 77                                        |
|                                                                                                                                       | <u>117</u>                 | <u>123</u>                                |
| Tax expense for the period                                                                                                            | -                          | -                                         |

c) Factors that may affect future tax charges - The Group has estimated unutilised tax losses amounting to £2,460,000 (2015 - £1,897,000) the values of which are not recognised in the balance sheet. The losses represent a potential deferred taxation asset of £490,000 (2015 - £400,000) 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 £4,400,000 (2015 - £3,900,000) which are expected to be deductible against future trading profits of the group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. (Loss)/earnings per share

|                                                             | 2016<br>£000   | As restated<br>2015<br>£000 |
|-------------------------------------------------------------|----------------|-----------------------------|
| Loss attributable to the owners of the Company              | <u>(584)</u>   | <u>(592)</u>                |
| Effect of prior period adjustment                           |                | <u>(236)</u>                |
| As previously stated                                        |                | <u>(828)</u>                |
| Loss per share – Basic and diluted<br>Continuing operations | <u>(0.18p)</u> | <u>(0.20p)</u>              |
| Effect of prior period adjustment                           |                | <u>(0.08p)</u>              |
| As previously stated                                        |                | <u>(0.28p)</u>              |

The prior period adjustment reduced the taxation charge for the year ended 30 June 2015 by £288,000 and the non-controlling interest of losses by £52,000, resulting in an overall reduction of losses attributable to owners of the company of £236,000.

The calculation of basic earnings per share is based on 326,938,397 (2015 – 296,115,053) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

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 19.

Under IAS 33, the share warrants in issue during the period were not considered to be diluting as the market based vesting conditions of the warrants had not been met at the year end. Further details are provided in note 19.

### 10. 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 £424,000 (2015 - £452,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Other intangible assets

Exploration  
and  
evaluation  
assets  
£000

**Group**

Cost:

At 1 July 2014

21,787

Additions

980

Exchange differences

(1,024)

At 30 June 2015

21,743

Additions

927

Contributions received

(187)

Exchange differences

(974)

At 30 June 2016

21,509

*Amortisation:*

At 1 July 2014, 30 June 2015 and at 30 June 2016

-

Net book value at 30 June 2016

21,509

Net book value at 30 June 2015

21,743

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 and in the absence of such indicators no impairment review was carried out.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. Property, plant and equipment

**Plant  
and  
machinery**

**£000**

**Group**

*Cost:*

At 1 July 2015

Additions

Exchange differences

At 30 June 2016

*Depreciation:*

At 1 July 2015

Charge for the period

Exchange differences

At 30 June 2016

Net book value at 30 June 2016

Net book value at 30 June 2015

29

4

(1)

32

15

8

-

23

9

14

**Plant and  
machinery  
£000**

*Cost:*

At 1 July 2014

Additions

Exchange differences

At 30 June 2015

*Depreciation:*

At 1 July 2014

Charge for the period

Exchange differences

At 30 June 2015

Net book value at 30 June 2015

Net book value at 30 June 2014

30

1

(2)

29

8

8

(1)

15

14

22

All non-current assets in 2016 and 2015 were located in South Africa.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Investments

#### Company

#### Subsidiary undertakings £000

|                                  |        |
|----------------------------------|--------|
| Cost:                            |        |
| At 1 July 2014                   | 16,362 |
| Additions                        | 1,414  |
| Disposals                        | -      |
|                                  | <hr/>  |
| At 30 June 2015                  | 17,776 |
|                                  | <hr/>  |
| Additions                        | 1,178  |
|                                  | <hr/>  |
| At 30 June 2016                  | 18,954 |
|                                  | <hr/>  |
| <i>Provisions for impairment</i> |        |
| At 1 July 2014                   | -      |
| On disposal                      | -      |
|                                  | <hr/>  |
| At 30 June 2015                  | -      |
|                                  | <hr/>  |
| At 30 June 2016                  | -      |
|                                  | <hr/>  |
| Net book value at 30 June 2016   | 18,954 |
|                                  | <hr/>  |
| Net book value at 30 June 2015   | 17,776 |
|                                  | <hr/>  |

Additions in the year of £1,414,000 (2015 - £1,178,000) represent further shares issued, and fully paid, by Ironveld Mauritius Limited, the company's wholly owned subsidiary.

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<br>voting rights<br>and shares held | Nature of<br>business       |
|-----------------------------------------|----------|---------------------------------------------------|-----------------------------|
| <b>Subsidiary undertakings</b>          |          |                                                   |                             |
| Ironveld Mauritius Limited              | Ordinary | 100%+                                             | Holding Company             |
| Ironveld Holdings (Proprietary) Limited | Ordinary | 100%                                              | Holding Company             |
| Ironveld Mining (Proprietary) Limited   | Ordinary | 100%                                              | Mining and exploration      |
| Ironveld Smelting (Proprietary) Limited | Ordinary | 74%                                               | Ore processing and smelting |
| 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      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Investments (continued)

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

+ Held directly by Ironveld Plc

Envirolite Limited, Envirolite Midlands Limited, WEEE Recycling Limited and Battnet Limited were dormant companies which were dissolved during the period.

Further details of non-wholly owned subsidiaries of the Group are provided in note 23.

### 14. Trade and other receivables

|                                      | <b>Group</b> |             | <b>Company</b> |             |
|--------------------------------------|--------------|-------------|----------------|-------------|
|                                      | <b>2016</b>  | <b>2015</b> | <b>2016</b>    | <b>2015</b> |
|                                      | <b>£000</b>  | <b>£000</b> | <b>£000</b>    | <b>£000</b> |
| Amounts owed from Group undertakings | -            | -           | 39             | 24          |
| Other debtors                        | 209          | 68          | 33             | 56          |
| Prepayments and accrued income       | 25           | 9           | 6              | 6           |
|                                      | <u>234</u>   | <u>77</u>   | <u>78</u>      | <u>86</u>   |

#### **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 £171,000 is due to a third party financial institution and further information is provided in note 18. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

### 15. Trade and other payables

|                                    | <b>Group</b> |             | <b>Company</b> |             |
|------------------------------------|--------------|-------------|----------------|-------------|
|                                    | <b>2016</b>  | <b>2015</b> | <b>2016</b>    | <b>2015</b> |
|                                    | <b>£000</b>  | <b>£000</b> | <b>£000</b>    | <b>£000</b> |
| Trade payables                     | 14           | 3           | 14             | 3           |
| Taxation and social security costs | 25           | 76          | 24             | 65          |
| Other payables                     | 5            | 5           | 5              | 5           |
| Accruals and deferred income       | 142          | 101         | 136            | 96          |
|                                    | <u>186</u>   | <u>185</u>  | <u>179</u>     | <u>169</u>  |
| Due within 12 months               | (186)        | (185)       | (179)          | (169)       |
|                                    | <u>-</u>     | <u>-</u>    | <u>-</u>       | <u>-</u>    |
| Due after more than 12 months      | -            | -           | -              | -           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. Borrowings

|             | <b>Group</b> |             | <b>Company</b> |             |
|-------------|--------------|-------------|----------------|-------------|
|             | <b>2016</b>  | <b>2015</b> | <b>2016</b>    | <b>2015</b> |
|             | <b>£000</b>  | <b>£000</b> | <b>£000</b>    | <b>£000</b> |
| Other loans | 992          | 1,149       | -              | -           |

The borrowings are repayable as follows:

|                                              | <b>Group</b> |                  | <b>Company</b> |             |
|----------------------------------------------|--------------|------------------|----------------|-------------|
|                                              | <b>2016</b>  | <b>2015</b>      | <b>2016</b>    | <b>2015</b> |
|                                              | <b>£000</b>  | <b>£000</b>      | <b>£000</b>    | <b>£000</b> |
| On demand or within one year                 | 992          | 1,149            | -              | -           |
| Due for settlement within 12 months          | 992<br>(992) | 1,149<br>(1,149) | -              | -           |
| Due for settlement after more than 12 months | -            | -                | -              | -           |

Further details on loans are provided in note 18.

## 17. Deferred tax

|                                          | <b>Group</b>       |             |
|------------------------------------------|--------------------|-------------|
|                                          | <b>As restated</b> |             |
|                                          | <b>2016</b>        | <b>2015</b> |
|                                          | <b>£000</b>        | <b>£000</b> |
| Balance at 1 July – as previously stated | 6,058              | 6,069       |
| Prior period adjustment                  | (1,128)            | (896)       |
| As restated                              | 4,930              | 5,173       |
| Exchange differences                     | (231)              | (243)       |
| Income statement – tax charge            | -                  | -           |
| Balance at 30 June                       | 4,699              | 4,930       |

The deferred tax liability is made up as follows:

|                        | <b>Group</b>       |             |
|------------------------|--------------------|-------------|
|                        | <b>As restated</b> |             |
|                        | <b>2016</b>        | <b>2015</b> |
|                        | <b>£000</b>        | <b>£000</b> |
| Fair value adjustments | 4,699              | 4,930       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. 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 2015.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and 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 at both fixed and floating interest rates. The Group's exposures to interest rates on financial assets and financial 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 maintaining adequate 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 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. The Group has a loan facility of South African Rand 15m that has been drawn in full at the year end.

#### *Financial assets*

The Group has no financial assets, other than short-term receivables and cash deposits of £113,000 (2015 - £1,407,000). The cash deposits attract variable rates of interest. At the year end the effective rate was 0.04% (2015 - 0.09%). The cash deposits held were as follows:-

|                                           | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------------|--------------|--------------|
| Sterling - United Kingdom banks           | 23           | 1,378        |
| USD - United Kingdom banks                | 47           | -            |
| South African Rand - United Kingdom banks | 3            | 3            |
| South African Rand - South African banks  | 40           | 26           |
|                                           | <hr/> 113    | <hr/> 1,407  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. Financial instruments (continued)

#### *Financial liabilities*

The Group's financial liabilities consist of other loans. Interest rates charged on these are as follows:

|                              | Weighted<br>average<br>effective<br>interest rate<br>(%) | Within 1<br>year<br>£000 |
|------------------------------|----------------------------------------------------------|--------------------------|
| <b>30 June 2016</b>          |                                                          |                          |
| Variable interest rates - SA | 5.14                                                     | 992                      |
| <b>30 June 2015</b>          |                                                          |                          |
| Variable interest rates - SA | 5.66                                                     | 1,149                    |

Other loans relate to a loan agreed on the acquisition of the Ironveld Group. The loan of £992,000 (2015 - £939,000) bears interest at the South African current prime rate, is repayable no later than 31 July 2017 and is secured against the assets of the group. The loan held at 30 June 2015 of £210,000 was settled during the period.

#### *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:-

| <b>As at 30 June 2016</b>  | <b>Assets<br/>£000</b> | <b>Liabilities<br/>£000</b> |
|----------------------------|------------------------|-----------------------------|
| British Pound Sterling (£) | 56                     | 178                         |
| USD (\$)                   | 47                     | -                           |
| South African Rand (ZAR)   | 218                    | 1,000                       |
|                            | <u>321</u>             | <u>1,178</u>                |
| <b>As at 30 June 2015</b>  | <b>Assets<br/>£000</b> | <b>Liabilities<br/>£000</b> |
| British Pound Sterling (£) | 1,430                  | 169                         |
| South African Rand (ZAR)   | 44                     | 1,165                       |
|                            | <u>1,474</u>           | <u>1,334</u>                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. Financial instruments (continued)

#### *Financial commitments and guarantee*

A rehabilitation guarantee of £599,000 (ZAR 11,993,000) (2015 – Nil) has been issued to the Department of Mineral Resources from two subsidiaries, HW Iron 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 2016 £171,000 (ZAR 3,426,000) (2015 – Nil) had been deposited in respect of this agreement and is included in other receivables. This represents a concentration of credit risk and the group is exposed to currency risks on these amounts. As the project has not yet commenced then no liability is considered to exist at the reporting date and the amount remains repayable as a current asset.

### 19. Share capital

#### *Group and Company*

|                                                             | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------------------------------|--------------|--------------|
| <i>Allotted, called up and fully paid</i>                   |              |              |
| 327,544,176 (2015 - 324,919,252) ordinary shares of 1p each | 3,276        | 3,250        |
| 322,447,158 (2015 - 322,447,158) deferred shares of 1p each | 3,224        | 3,224        |
|                                                             | <u>6,500</u> | <u>6,474</u> |

In July 2015, 576,667 ordinary shares of 1p each were issued on the exercise of share options.

On 15 July 2015 the company issued 841,547 shares to directors in lieu of salary at 5.38 pence per share. On 7 August 2015 the company issued 315,620 shares to consultants in lieu of payment at 5.67 pence per share. On 3 February 2016 the company issued 891,090 shares to directors in lieu of salary at 4.2 pence per share.

Following the year end, in November 2016, the company completed a placing of 40,000,003 shares raising £1,800,000 before expenses of the issue.

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 interest 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.

#### *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 period were as follows:

| Date granted     | Exercise price | As at<br>1 July<br>2015<br>No. | Granted<br>in year<br>No. | Exercised<br>in year<br>No. | Lapsed/<br>Cancelled<br>No. | As at<br>30 June<br>2016<br>No. |
|------------------|----------------|--------------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| 21 May 2010      | 10p            | 1,600,000                      | -                         | -                           | -                           | 1,600,000                       |
| 16 August 2012   | 1p             | 6,235,137                      | -                         | -                           | -                           | 6,235,137                       |
| 14 November 2012 | 1p             | 6,663,505                      | -                         | -                           | -                           | 6,663,505                       |
| 16 April 2013    | 1p             | 1,066,667                      | -                         | (33,333)                    | -                           | 1,033,334                       |
| 7 November 2013  | 1p             | 2,230,000                      | -                         | (143,333)                   | -                           | 2,086,667                       |
| 1 May 2014       | 1p             | 600,000                        | -                         | (400,000)                   | -                           | 200,000                         |
| 1 October 2015   | 1p             | -                              | 2,500,000                 | -                           | -                           | 2,500,000                       |
| 27 January 2016  | 1p             | -                              | 445,545                   | -                           | -                           | 445,545                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. Share capital (continued)

The exercise period of the options is as follows:

| Date granted     | Expiry date      | Exercise period                                                                                                                                               |
|------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21 May 2010      | 21 May 2020      | to 21 May 2020                                                                                                                                                |
| 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 first 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  |                                                                                                                                                               |

Of the options granted on 1 October 2015, 1,000,000 are exercisable following first commercial production from the 15 MW smelter, which is expected in December 2017.

The group recognised a share based payment expense of £171,000 (2015 - £221,000) in the period.

The aggregate of the estimated fair value of the options granted in the year amounts to £123,000 (2015 - £Nil). The inputs into the Black Scholes Model are as follows:-

|                                         | 2016       |
|-----------------------------------------|------------|
| Weighted average share price (pence)    | 5.1        |
| Weighted average exercise price (pence) | 1.0        |
| Expected volatility                     | 62% to 64% |
| Weighted average vesting period         | 2 years    |
| Risk free rate                          | 0.47%      |

Expected volatility was determined by calculating the historical volatility of the group's share price over the 3 years prior to the grant date. The expected life used in the model is based on management's best estimate.

### Share warrants

As at 1 July 2015 and at 30 June 2016 the warrants in issue were; 8,399,966 issued at a price of 0.25p each with an expiry date of 24 September 2016.

The share warrants were issued as part of the placing pursuant to the terms of a warrant instrument executed by the Company and dated 24 September 2010. Under the warrant Instrument, 8,399,966 warrants were created, with each warrant granting the holder the right to subscribe for one ordinary share at a price of 10p per share (subject to adjustment in limited circumstances such as a subdivision or consolidation of the Company's share capital) payable in cash on exercise.

The warrants were exercisable within six years of being issued subject to the average closing market price of the Company's shares having been at least 15p per ordinary share over a period of at least 30 consecutive days (unless the Board waives this condition). The Company shall procure that the ordinary shares issued pursuant to the exercise of warrants are admitted to trading on AIM. The warrants themselves will not be dealt with or admitted to trading on any market and are only transferable in limited circumstances by their holders.

Warrants represent subscription rights for ordinary shares in Ironveld Plc.

Warrants may be exercised in whole or in part (and from time to time) prior to the final expiry date. The warrants are non-transferable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. Share capital (continued)

#### Share warrants continued

In addition to the above warrants, Sylvania Metals Pty Limited entered into a loan facility of 15,000,000 South African Rand, in consideration for which the Company has undertaken to grant Sylvania warrants with effect from 16 August 2012 as a guarantee. Sylvania are entitled, pursuant to these warrants, to subscribe for such number of 1 pence Ordinary Shares as results from dividing £1,500,000 by the volume weighted average price of the Company's shares on AIM for the 90 business days ending on the business day immediately prior to the date of exercise, with such warrants being exercisable during the period commencing on 1 July 2017 and ending on the earlier of repayment in full of the loan facility monies or the fifth anniversary of admission.

Such warrants are only exercisable to the extent that any amount is then outstanding under the loan facility. The Company shall procure that any shares issued pursuant to the exercise of the warrants are admitted to trading on AIM. The proceeds derived from the exercise of the warrants will be used only to repay the associated loan.

### 20. Reserves

| Group                                                       | Warrant<br>reserve<br>£000 | Share<br>premium<br>account<br>£000 | Retained<br>earnings<br>£000 |
|-------------------------------------------------------------|----------------------------|-------------------------------------|------------------------------|
| At 1 July 2015                                              | 21                         | 16,056                              | (9,750)                      |
| Prior period adjustment                                     | -                          | -                                   | 848                          |
| At 1 July 2015 – as restated                                | 21                         | 16,056                              | (8,902)                      |
| Loss for the period                                         | -                          | -                                   | (584)                        |
| Exchange difference on translation of foreign operations    | -                          | -                                   | (525)                        |
| Issue of share capital                                      | -                          | 80                                  | -                            |
| Adjustment arising from change in non-controlling interests | -                          | -                                   | (166)                        |
| Credit for equity settled share based payments              | -                          | -                                   | 171                          |
| At 30 June 2016                                             | 21                         | 16,136                              | (10,006)                     |

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.

#### Prior period adjustment

In the prior period certain subsidiary tax computations have included claims for tax deductions on costs of exploration incurred in those periods. Under IAS 12 deferred tax provisions were included in the financial statements for each prior period based on the resulting timing differences.

It has now been agreed with the South African Revenue Service that claims for tax deductions on the relevant costs of exploration should not be made until profits are generated. Therefore, no timing differences currently arise. The resulting reversal of the deferred tax provisions has been treated as a prior period adjustment and comparative figures have been restated, as, in the opinion of the directors, this produces better information to the shareholders.

The prior period adjustment resulted in a reduction in the loss after tax in 2015 of £288,000 and a reduction of the non-controlling interest share in that loss of £52,000. The net assets at 1 July 2014 were increased by £896,000 and those at 30 June 2015 increased by £1,128,000. The net assets attributable to owners of the company increased by £739,000 at 1 July 2014, and by £848,000 at 30 June 2015, with the difference being attributed to the non-controlling interest. Further information is given in note 17, note 23 and the consolidated statement of changes in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. Reserves (continued)

| <i>Company</i>                                 | <b>Warrant<br/>reserve<br/>£000</b> | <b>Share<br/>premium<br/>account<br/>£000</b> | <b>Retained<br/>earnings<br/>£000</b> |
|------------------------------------------------|-------------------------------------|-----------------------------------------------|---------------------------------------|
| At 1 July 2015                                 | 21                                  | 16,056                                        | (3,477)                               |
| Loss for the period                            | -                                   | -                                             | (424)                                 |
| Issue of share capital                         | -                                   | 80                                            | -                                     |
| Credit for equity settled share based payments | -                                   | -                                             | 171                                   |
| At 30 June 2016                                | <u>21</u>                           | <u>16,136</u>                                 | <u>(3,730)</u>                        |

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

The warrant reserve represents the estimated fair value of share warrants issued.

### 21. Cash generated from operations

| <b>Group</b>                                             | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|----------------------------------------------------------|----------------------|----------------------|
| Operating loss                                           | (494)                | (520)                |
| Depreciation on property, plant and equipment            | 8                    | 8                    |
| Share based payment expense                              | 171                  | 221                  |
| Operating cash flows before movements in working capital | <u>(315)</u>         | <u>(291)</u>         |
| Movement in receivables                                  | (109)                | (16)                 |
| Movement in payables                                     | (46)                 | 24                   |
| Cash used in operations                                  | <u>(470)</u>         | <u>(283)</u>         |
| Interest paid                                            | -                    | (3)                  |
| <b>Net cash used in operations</b>                       | <u><b>(470)</b></u>  | <u><b>(286)</b></u>  |

| <b>Cash and cash equivalents</b> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|----------------------------------|----------------------|----------------------|
| Cash and bank balances           | <u>113</u>           | <u>1,407</u>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. Cash generated from operations (continued)

| Company                                                  | 2016<br>£000         | 2015<br>£000         |
|----------------------------------------------------------|----------------------|----------------------|
| Operating loss                                           | (424)                | (452)                |
| Share based payment expense                              | 76                   | 127                  |
| Operating cash flows before movements in working capital | (348)                | (325)                |
| Movement in receivables                                  | 8                    | (25)                 |
| Movement in payables                                     | 109                  | 113                  |
| <b>Net cash used in operations</b>                       | <b>(231)</b>         | <b>(237)</b>         |
| <b>Cash and cash equivalents</b>                         | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
| Cash and bank balances                                   | 74                   | 1,381                |

### 22. Related party transactions

#### 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 £55,200 (2015 - £36,000) for accounting services to Westleigh Investments Holdings Limited, a company in which G Clarke and N Harrison are materially interested.

Other receivable include £2,800 (2015 - £nil) due to Kennedy Ventures Plc, a company in which G Clarke and N Harrison are materially interested.

All transactions are considered to be on terms equivalent to those that prevail in arm's length transactions.

### 23. Non-controlling interest

|                                                            | 2016<br>£000 | As restated<br>2015<br>£000 |
|------------------------------------------------------------|--------------|-----------------------------|
| At 1 July – as previously stated                           | (3,048)      | (3,410)                     |
| Prior period adjustment                                    | (280)        | (157)                       |
| At 1 July – as restated                                    | (3,328)      | (3,567)                     |
| Exchange adjustments                                       | 156          | 168                         |
| Adjustment arising from change in non-controlling interest | (166)        | 70                          |
| Share of loss for the period                               | 1            | 1                           |
| At 30 June                                                 | (3,337)      | (3,328)                     |

On 12 November 2015 the Group transferred part of its holding in HW Iron (Proprietary) Limited to certain project partners, resulting in a decrease in its interest from 73% to 68%, for £nil consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. Non-controlling interest (continued)

The difference between the consideration paid/received and the change in non-controlling interest has been adjusted against retained earnings attributable to the owners of the Group in accordance with IFRS 10.

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

|                                    | Proportion of<br>of voting rights<br>and shares held |        | Profit/(loss)<br>allocated to<br>non-controlling<br>interests |                             | Accumulated<br>non-controlling<br>interests |                             |
|------------------------------------|------------------------------------------------------|--------|---------------------------------------------------------------|-----------------------------|---------------------------------------------|-----------------------------|
|                                    | 2016                                                 | (2015) | 2016<br>£000                                                  | As restated<br>2015<br>£000 | 2016<br>£000                                | As restated<br>2015<br>£000 |
| HW Iron (Proprietary) Limited      | 32%                                                  | (27%)  | -                                                             | -                           | 1,061                                       | 939                         |
| Lapon Mining (Proprietary) Limited | 26%                                                  | (26%)  | -                                                             | -                           | 2,277                                       | 2,390                       |
| Other non-controlling interests    |                                                      |        | (1)                                                           | (1)                         | (1)                                         | (1)                         |
|                                    |                                                      |        | <u>(1)</u>                                                    | <u>(1)</u>                  | <u>3,337</u>                                | <u>3,328</u>                |

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 (Zar) using the Zar:GBP exchange rate prevailing at 30 June 2016 of 20.0272 (2015 - 19.089).

#### HW Iron (Proprietary) Limited

|                                               | 2016<br>£000 | As restated<br>2015<br>£000 |
|-----------------------------------------------|--------------|-----------------------------|
| Current assets                                | 171          | 1                           |
| Non-current assets                            | 5,817        | 6,006                       |
| Current liabilities                           | (1,480)      | (1,480)                     |
| Non-current liabilities                       | (1,291)      | (1,290)                     |
| Equity attributable to owners of the Company  | 2,156        | 2,298                       |
| Non-controlling interest                      | 1,061        | 939                         |
| Revenue                                       | -            | -                           |
| Expenses                                      | 1            | -                           |
| Profit/(loss) for the year                    | <u>(1)</u>   | <u>-</u>                    |
| Attributable to the owners of the Company     | (1)          | -                           |
| Attributable to the non-controlling interests | <u>-</u>     | <u>-</u>                    |
| Dividends paid to non-controlling interests   | -            | -                           |
| Net cash inflow from operating activities     | (252)        | 152                         |
| Net cash outflow from investing activities    | 7            | (200)                       |
| Net cash inflow from financing activities     | 245          | 49                          |
| Net cash inflow                               | <u>-</u>     | <u>1</u>                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. Non-controlling interest (continued)

*Lapon Mining (Proprietary) Limited*

|                                               | 2016<br>£000 | As restated<br>2015<br>£000 |
|-----------------------------------------------|--------------|-----------------------------|
| Current assets                                | -            | -                           |
| Non-current assets                            | 13,222       | 13,843                      |
| Current liabilities                           | (1,056)      | (1,077)                     |
| Non-current liabilities                       | (3,407)      | (3,575)                     |
| Equity attributable to owners of the Company  | 6,482        | 6,801                       |
| Non-controlling interest                      | 2,277        | 2,390                       |
| Revenue                                       | -            | -                           |
| Expenses                                      | 1            | -                           |
| Profit/(loss) for the year                    | (1)          | -                           |
| Attributable to the owners of the Company     | (1)          | -                           |
| Attributable to the non-controlling interests | -            | -                           |
| Dividends paid to non-controlling interests   | -            | -                           |
| Net cash inflow from operating activities     | (1)          | -                           |
| Net cash outflow from investing activities    | (26)         | (128)                       |
| Net cash inflow from financing activities     | 27           | 128                         |
| Net cash inflow                               | -            | -                           |

### 24. Control

The Directors consider that there is no overall controlling party.