

Company Registration No: 11143400



# Annual Report

and Accounts for the year  
ended 31 December 2021



The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

30 June 2022

**Kropz Plc  
("Kropz" or the "Company")**

**Final Results for the Year ended 31 December 2021,  
Posting of Annual Report and Accounts  
and  
Notice of General Meeting**

Kropz Plc (AIM: KRPZ), an emerging African producer and developer of plant nutrient feed minerals, announces Final Results for the Year ended 31 December 2021 and the publication of the Company's Annual Report and Accounts.

The full financial report and Notice of General Meeting will be available online shortly on the Company's website at [www.kropz.com](http://www.kropz.com) and are being posted to shareholders today.

The Company will hold a General Meeting for the purposes of approving the Annual Report which will be held at the offices of Memery Crystal at 165 Fleet Street, London EC4A 2DY on 25 July 2022 at 1 p.m.

**HIGHLIGHTS 2021**

**Key developments during the 2021 financial year**

**Corporate**

- Activities during the year were focused on completion of construction activities at Elandsfontein and finalisation of the Hinda updated feasibility study ("Hinda Updated FS");
- Kropz Plc ("Kropz" or the "Company") secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from the ARC Fund ("ARC"), Kropz's major shareholder in February 2021 ("Further Equity Facility"), used exclusively for the Hinda Updated FS and general corporate purposes;
- The fourth drawdown on the convertible loan facility, secured from ARC in June 2020, of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) ("Original Equity Facility") occurred on 10 March 2021 for US\$ 7 million;
- The first drawdown on the Further Equity Facility occurred on 10 March 2021 for US\$ 2 million;
- The fifth drawdown on the Original Equity Facility occurred on 23 June 2021 for US\$ 11 million;
- The second drawdown on the Further Equity Facility occurred on 23 June 2021 for US\$ 2 million;
- The sixth and final drawdown on the Original Equity Facility occurred on 10 September 2021 for US\$ 3 million;
- The third drawdown on the Further Equity Facility occurred on 10 September 2021 for US\$ 400,000;
- On 15 October 2021, Kropz secured a new conditional convertible equity facility of up to ZAR 200 million (approximately US\$ 13 million) ("New ZAR Equity Facility"), with ARC in order to deliver the Company's Elandsfontein phosphate project to first revenue;
- The first drawdown on the New ZAR Equity Facility occurred on 26 October 2021 for ZAR 90 million (approximately US\$ 6 million);
- The fourth drawdown on the Further Equity Facility occurred on 10 December 2021 for US\$ 400,000;

- The second drawdown on the New ZAR Equity Facility occurred on 10 December 2021 for ZAR 37 million (approximately US\$ 2 million);
- US\$200,000 remained undrawn on the Further Equity Facility at 31 December 2021; and
- ZAR 73 million (approximately US\$ 5 million) remained undrawn at 31 December 2021 on the New ZAR Equity Facility.

## **Elandsfontein**

- Activities focussed on completion of construction and commissioning activities at Elandsfontein;
- As announced on 9 September 2021, the appeal against the award of the integrated Water Use Licence ("WUL") for the Elandsfontein project was dismissed by the South African Water Tribunal. The appeal was lodged by a small group calling themselves the West Coast Environmental Protection Association ("WCEPA"), on 26 June 2017. The appeal was heard, over four sittings, from October 2019 to February 2021;
- Mining activities commenced in October 2021, and significant volumes of ore were made available to support commissioning ramp-up;
- In November 2021, earthworks, civil construction, fabrication and erection of structural steel, platework and piping was completed and all mechanical equipment installed;
- Pre-commissioning (C2) and cold commissioning (C3) activities commenced in November 2021;
- Construction activities at Elandsfontein were completed in December 2021, under budget and on time;
- "First-fill" reagents, sourced in South Africa and imported from the USA, were received on site in December 2021;
- On 23 December 2021, a major milestone was achieved when first ore was introduced into the Elandsfontein plant; and
- As announced on 23 November 2021, Transnet provided Elandsfontein with a draft port access agreement to support the long-term export of Elandsfontein's phosphate rock through the port of Saldanha. Signature of the contract is now being finalised between the parties. Exports through Cape Town will only be required for a maximum of 350,000 tonnes of Elandsfontein's export production of approximately 1 million tonnes per annum, and only if capacity through Saldanha is unavailable for a limited period of time.

## **Hinda**

- As announced on 4 February 2021, Kropz appointed Hatch Africa (Pty) Ltd ("Hatch"), a global engineering and construction firm, to complete the Hinda Updated FS;
- The updated Environmental and Social Impact Assessment ("ESIA") was completed in December 2021 by WSP Global Inc ("WSP") out of Montreal, Canada;
- The updated ESIA was lodged with the Republic of Congo ("RoC") Ministry of Environment in late December 2021; and
- Hatch completed the Hinda Updated FS and the outcomes, as detailed below, were announced on 22 December 2021.

## **Aflao**

- Kropz divested its 50% + 1 share interest in Aflao, as announced on 16 February 2021.

## **Key developments post the financial year end**

### **Corporate**

- Issued 6,700,000 ordinary shares, at an exercise price of £0.001 an ordinary share, in the Company to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities ("PDMRs"). The issue of ordinary shares was due to awards vesting that had been issued under its Long-Term Incentive Plan ("LTIP Awards") on 31 July 2020 and as announced on 4 August 2020;
- The fifth and final drawdown on the Further Equity Facility occurred on 10 March 2022 for US\$ 200,000;
- The third drawdown on the New ZAR Equity Facility occurred on 25 March 2022 for ZAR 40 million;

- The fourth drawdown on the New ZAR Equity Facility occurred on 26 April 2022 for ZAR 33 million;
- On 27 April 2022, Kropz announced that it had entered into an agreement with ARC for a ZAR 25 million (approximately US\$ 1.60 million) bridge loan facility (the “Loan”) to meet cash requirements in April 2022 and draw down of the Loan took place on 28 April 2022;
- As announced on 11 May 2022, Kropz entered into a new conditional convertible equity facility of up to ZAR 177 million (approximately US\$ 11 million) (“ZAR 177 Million Equity Facility”) with ARC to fund Elandsfontein to first revenues from bulk concentrate sales;
- The ZAR 177 Million Equity Facility was approved by Kropz shareholders and became unconditional on 1 June 2022; and
- The first drawdown on the ZAR 177 Million Equity Facility occurred on 2 June 2022 for ZAR 103.5 million (approximately US\$ 7 million). After set-off of the Loan, Kropz received an amount of ZAR 78.5 million (approximately US\$ 5 million).

#### **Elandsfontein**

- The focus at Elandsfontein continues to be production ramp-up of the mine and beneficiation plant, to reach nameplate capacity;
- To date, 5,000 tonnes of saleable concentrate have been produced and are being stored in the Saldanha Bay storage facility;
- BNP Paribas (“BNP”) released the ZAR 77 million restricted cash in the bank account of Kropz Elandsfontein (Pty) Ltd (“Kropz Elandsfontein”) on 10 January 2022, upon satisfaction of the requirement by BNP for Kropz to bridge the funding shortfall in respect of Elandsfontein as announced on 1 September 2021. The funding shortfall was satisfied when the New ZAR Equity Facility was secured from ARC;
- As announced on 27 April 2022, a further funding shortfall of ZAR 177 million was expected due to slower than expected progress in the ramp up of operations at Elandsfontein;
- First bulk sales are now expected to move into Q3 2022 as a result of early geological challenges in the mining area – higher than expected volumes of indurated material is limiting the mining rate that can be achieved with the current equipment on site;
- The delay was also driven by the need to re-engineer parts of the fine flotation circuit as proposed by the vendor, but has also been affected lack of operator expertise and experience; and
- Measures taken by management to address these issues are set out later in the annual report.

#### **Hinda**

- Since 31 December 2021, management has been interrogating the Hinda Updated FS and financial model as prepared by Hatch;
- Various capital cost optimisation initiatives have been identified for investigation ahead of detailed design; and
- Development alternatives are being considered and potential funding options investigated.

#### **General**

- The current and further potential effects of COVID-19, and the possibility of further waves in South Africa and the RoC remain a risk to Kropz’s projects. Kropz has mitigated this risk as far as reasonably practicable by compliance with the Kropz COVID-19 policies and procedures.

**Kropz Plc**

Mark Summers (CEO)

+27 (0) 79 744 8708

**Grant Thornton UK LLP**Samantha Harrison  
Harrison Clarke  
George Grainger  
Ciara Donnelly**Nominated Adviser**

+44 (0) 20 7383 5100

**Hannam & Partners**Andrew Chubb  
Ernest Bell**Broker**

+44 (0) 20 7907 8500

**Tavistock**Nick Elwes  
Jos Simson**Financial PR & IR (UK)**+44 (0) 207 920 3150  
kropz@tavistock.co.uk**R&A Strategic Communications**

James Duncan

**PR (South Africa)**+27 (0) 11 880 3924  
james@rasc.co.za**About Kropz Plc**

Kropz is an emerging African phosphate producer and developer with projects in South Africa and the Republic of Congo. The vision of the Group is to become a leading independent phosphate rock producer and to develop into an integrated, mine-to-market plant nutrient company focusing on sub-Saharan Africa.

## **Chairman's Statement**

Dear shareholder,

The 31 December 2021 financial year was another challenging year, particularly given the continued global COVID pandemic and associated impact on the global economy.

Thankfully, the COVID pandemic had no significant impact on the conclusion of construction activities at Elandsfontein. First ore was introduced into the Elandsfontein plant in December 2021, on time and under budget, a significant milestone given the challenges faced.

Hatch completed the Hinda Updated FS in late December 2021 and we are encouraged by the outcome and conclusions. Management are interrogating the findings and the next step would be to select the way forward for the progression of the project and sourcing the required funding for its development.

Thanks to the ARC Fund, Kropz's major shareholder, funding was secured to complete the Elandsfontein project and ramp-up operations and complete the Hinda Updated FS.

Progress continues to be made at Elandsfontein, but slower than expected progress in the ramp-up of operations, as announced on 27 April 2022, resulted in an additional funding requirement. Again ARC responded by agreeing to provide the required ZAR 177 million required to see Elandsfontein through to positive cash flow by way of a convertible equity facility.

The Board thanks all the members of the executive, management, the teams on the ground, contractors, auditors and advisers for all their efforts and assistance during the year. We once again want to thank our major shareholder, ARC, for their further commitment and continued support.

**Lord Robin William Renwick of Clifton**

**Non-Executive Chairman**

28 June 2022

## **Strategic Report for the year ended 31 December 2021**

### **Market overview**

Since February 2022, phosphate prices have reached new highs, largely due to the sanctions imposed on Russia, following their invasion of the Ukraine. Russia is a significant supplier of fertiliser feed products and associated sanctions increased the prices of phosphate products significantly as producers that relied on Russian sources sought to secure alternative sources of amongst others, low cadmium phosphate rock. The cessation of exports of phosphate products from China until mid-2022, has also inflated prices of phosphate related fertilizers.

The phosphate rock market remains strong and has shown good interest in Elandsfontein's low cadmium concentrate.

### **Significant changes in the state of affairs**

#### *Share issues*

The issued share capital at 31 December 2020 was 558,627,558 ordinary shares (2019: 283,406,307).

On 3 March 2021, Kropz announced the fourth drawdown of US\$ 7 million of the Original Equity Facility and the first drawdown of US\$ 2 million under the Further Equity Facility. These drawdowns resulted in the issue of 89,185,185 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share and 34,745,359 ordinary shares to ARC at an issue price of 4.20 pence per ordinary share. The 123,930,544 ARC drawdown shares were admitted to trading on AIM on 10 March 2021.

On 16 June 2021, Kropz announced the fifth drawdown of US\$ 11 million of the Original Equity Facility and the second drawdown of US\$2 million under the Further Equity Facility. These drawdowns resulted in the issue of 140,148,148 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share and 34,745,359 ordinary shares to ARC at an issue price of 4.20 pence per ordinary share. The 174,893,507 ARC drawdown shares were admitted to trading on AIM on 23 June 2021.

On 7 September 2021, Kropz announced the sixth drawdown of US\$ 3 million of the Original Equity Facility and the third drawdown of US\$ 400,000 under the Further Equity Facility. These drawdowns resulted in the issue of 38,222,222 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share and 6,949,072 ordinary shares to ARC at an issue price of 4.20 pence per ordinary share. The 45,171,294 ARC drawdown shares were admitted to trading on AIM on 10 September 2021.

On 8 December 2021, Kropz announced the fourth drawdown of US\$ 400,000 under the Further Equity Facility. This drawdown resulted in the issue of 6,949,072 ordinary shares to ARC at an issue price of 4.20 pence per ordinary share. The 6,949,072 ARC drawdown shares were admitted to trading on AIM on 13 December 2021.

The issued share capital at 31 December 2021 was 909,571,975 ordinary shares (2020: 558,627,558).

### **Projects**

#### **Elandsfontein**

Elandsfontein hosts the second largest phosphate deposit in South Africa, after Foskor's operation at Phalaborwa. Elandsfontein has been developed with the capacity to produce circa one million tonnes per annum ("Mtpa") of phosphate rock concentrate from a shallow mineral resource which is expected to be sold on both local and

international markets. The Company owns 74% of the issued share capital of Kropz Elandsfontein, the company which owns the Elandsfontein project.

Prior to 2021, in excess of US\$ 135 million was spent at Elandsfontein on project capital expenditure to construct the processing plant and infrastructure, initial mining and capitalised working capital. Following a suspended commissioning process in 2017, Kropz Elandsfontein conducted further geological drilling and metallurgical test programme to define a robust process circuit, to cater for all ore types present within the Elandsfontein resource.

Elandsfontein's logistics are advantageous and allow for easy access to both local and international markets.

### Activity for the year ended 31 December 2021

The focus for the 2021 financial year was completion of the construction activities on site. All major contracts were finalised to enable site establishment by the mining and plant operators. Mining activities recommenced in October 2021.

### Mining and geology

The Elandsfontein resource is defined below, on a total (gross) and net attributable basis. No further geological drilling was conducted in 2021.

### Mineral Resource Statement, as declared by Snowden and SRK on 31 October 2018

Class	Quantity (Mt)	Grade (%P <sub>2</sub> O <sub>5</sub> )	Grade (%Al <sub>2</sub> O <sub>3</sub> )	Grade (%MgO)	Grade (%Fe <sub>2</sub> O <sub>3</sub> )	Grade (%CaO)	Grade (%SiO <sub>2</sub> )	Contained P <sub>2</sub> O <sub>5</sub> (Mt)
<b>Gross</b>								
Measured	47.5	10.3	1.2	0.2	1.0	14.9	69.8	4.9
Indicated	30.3	5.1	1.2	0.1	0.9	7.1	82.9	1.6
Inferred	23.3	5.5	1.2	0.1	1.0	7.5	82.5	1.3
<b>Total</b>	<b>101.1</b>	<b>7.7</b>	<b>1.2</b>	<b>0.2</b>	<b>0.9</b>	<b>10.9</b>	<b>75.9</b>	<b>7.8</b>
<b>Net Attributable (74% attributable to the Company)</b>								
Measured	35.2	10.3	1.2	0.2	1.0	14.9	69.8	3.6
Indicated	22.4	5.1	1.2	0.1	0.9	7.1	82.9	1.2
Inferred	17.2	5.5	1.2	0.1	1.0	7.5	82.5	0.9
<b>Total</b>	<b>74.8</b>	<b>7.7</b>	<b>1.2</b>	<b>0.2</b>	<b>0.9</b>	<b>10.9</b>	<b>75.9</b>	<b>5.7</b>

### Plant and processing

Pre-commissioning (C2) and cold commissioning (C3) activities commenced in November 2021 and construction activities at Elandsfontein were completed in December 2021, under budget and on time. On 23 December 2021, a major milestone was achieved when first ore was introduced into the Elandsfontein plant.

Dewatering of the aquifer continues in accordance with the updated ground water management plan.

The Department of Mineral Resources and Energy ("DMRE") issued a directive to Kropz Elandsfontein during 2020 to upgrade its Environmental Management Programme ("EMPr") in line with latest South African legislation. The updated EMPr was submitted to the DMRE in September 2020. On 26 March 2021, management received the

updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

### **Offsets**

In July 2020, Kropz Elandsfontein submitted a revised Offset Study to the DMRE. Management informed the DMRE that the 2015 Offset Study for the Elandsfontein project did not adequately consider Kropz Elandsfontein's effective rehabilitation measures which have demonstrated successful implementation over the past three growing seasons. Kropz Elandsfontein's rehabilitation measures have been shown to guarantee future rehabilitation success, if conducted in accordance with the approved mine rehabilitation plan drafted by Kropz Elandsfontein's appointed rehabilitation specialist.

Following due consideration of all the comments and responses received during the thirty-day public participation period, management received notification from the DMRE on 4 March 2021 that the conditions required to cater for the offsets of land will be removed from the Elandsfontein EMPr.

Several appeals against the DMRE's decision have been lodged and are being dealt with by the Department of Forestry, Fisheries and the Environment.

### **Water use licence ("WUL")**

The outstanding appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. During this fourth sitting of the matter, final evidence was presented to the Water Tribunal.

The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling in March 2021. The appellant was subsequently granted numerous postponements for the submission of their heads of arguments, which delayed the date of the ruling to September 2021.

As announced on 9 September 2021, the appeal was dismissed by the Water Tribunal.

### **Safety, health and environment**

As at 31 December 2021, the lost time injury frequency rate, per 200,000 man hours, was 0.698 (2020 - zero). For the reporting period, three Lost Time injuries were regrettably suffered during the construction phase. No reportable and major environmental or safety incidents were reported during the year.

### **Corporate social responsibility ("CSR") and sustainability**

The execution of the five-year Social and Labour Plan ("SLP"), aligned with the 2018 South African Mining Charter, and approved by the DMRE, remains on track. During the reporting period, the five-year closure plan was submitted and subsequently accepted by the DMRE. Kropz Elandsfontein has commenced with the development of the next iteration of the SLP for submission to the DMRE in Q3 2022. The plan includes progressive improvements to obtain compliance on the employment equity and procurement objectives of the South African Mining Charter scorecard. The following strategic focus areas have been identified:

- Education;
- Social wellness;
- Local economic development; and
- Urban reconstruction and infrastructure upgrades.

Through collaboration with the local community forum, various community development projects continued during 2021 and the selection of new projects will form part of the 2022 SLP.

### **Education support**

During 2021 Kropz Elandsfontein continued to support the Hopefield Primary School teacher's programme.

### **Metallurgical skills development**

As a result of the strong drive to employ from within the local municipal area, the commissioning of the plant necessitated skills development training in metallurgy to ensure successful commissioning and operation of the processing facility. This training was provided for the local employees who were recruited as part of the plant operating team.

### **Small, medium, micro enterprise ("SMME") development**

During 2021, the second phase of the SMME development programme was completed. The focus during this phase was to assist the SMME's identified in the initial phase through a digital enablement programme, boosting the digital competencies of young start-ups in the community.

### **Adult matric certification**

The previous two-year programme enabling individuals to complete their secondary school qualification resumed in 2021. Nine adults obtained a pass rate to qualify for their senior certificate at the end of 2021.

### **Thusong community centre upgrade**

The construction of an additional classroom and meeting venues at the local community centre was completed towards the end of 2021, with final handover in early 2022. Opportunities are being investigated with other business partners to review further projects at the Thusong community centre.

Kropz Elandsfontein continues to engage with the local community on a regular basis.

### **Post reporting period events**

#### **Transport and logistics**

As announced on 23 November 2021, Transnet provided Kropz Elandsfontein with a draft port access agreement to support the long-term export of Elandsfontein's phosphate rock through the port of Saldanha. Contract negotiations have been finalised and final signature is expected prior to the shipment of first product. Exports through Cape Town will potentially be required for no more than 350,000 tonnes of Elandsfontein's production of approximately 1 million tonnes per annum, if capacity through the port of Saldanha is unavailable for a limited period of time.

#### **Hinda**

The Hinda project, currently 100% owned by Cominco S.A., is believed to be one of the world's largest undeveloped phosphate reserves. Ownership is expected to be diluted to 90% through the participation of the RoC government. Hinda consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire. The project is fully permitted.

Prior to acquisition by Kropz, more than US\$ 40 million was spent on project development, including drilling, metallurgical test work and feasibility studies.

## Activity for the year ended 31 December 2021

In early 2020, Kropz completed a competitive tender for an updated feasibility study for the Hinda project. Hatch was appointed in February 2021 to complete the Hinda Updated FS, targeting a phased approach in line with the terms of the mining investment agreement.

Hatch completed the Hinda Updated FS and the outcomes were announced on 22 December 2021.

### Highlights

- The phased approach studied will initially deliver 1 Mtpa phosphate rock concentrate through the existing Port of Pointe-Noire ("Phase 1"), expanding to 2 Mtpa phosphate rock concentrate through a new port facility at Pointe Indienne ("Phase 2");
- The Hinda Updated FS demonstrates low technical and mining risk and attractive project economics;
- The mineral resource is unchanged from the 2018 Competent Persons Report, with 201 million tonnes of measured mineral resource at 11.6% P<sub>2</sub>O<sub>5</sub> and 381 million tonnes of indicated mineral resource at 9.8% P<sub>2</sub>O<sub>5</sub>;
- The Hinda Updated FS delivers a 28-year life of mine ("LOM"), extracting 31 million tonnes of ore in Phase 1 and 214 million tonnes of ore in Phase 2;
- Estimated Phase 1 capital cost is US\$ 355 million, Phase 2 capital cost is US\$ 310 million (in real 2021 terms), with a nominal, peak funding requirement of US\$ 392 million, as the first phase supports the subsequent Phase 2 expansion capital expenditure;
- Phase 1 operating cost on a free-on-board ("FOB") basis is US\$ 63 per tonne phosphate rock concentrate, and Phase 2 operating cost is US\$ 70 per tonne phosphate rock concentrate, inclusive of mining royalties;
- Using a December 2021 price forecast received from CRU on a FOB Pointe-Noire basis, the real LOM earnings before interest and taxation margin is US\$ 65 per tonne of phosphate rock concentrate;
- Estimated three-year execution schedule allows first revenue in 2025, assuming that the required funding is in place by the end of 2022; and
- Base case, nominal internal rate of return ("IRR") of 19.2% and base case, ungeared, nominal net present value ("NPV") (at 11.1% discount rate) of US\$ 397 million.

The phased approach was intended to reduce up-front execution capital requirements by making use of existing port facilities, thus limiting the first phase to 1 Mtpa phosphate rock concentrate.

The Hinda Updated FS included detailed engineering of the open pit mine, associated mine dewatering and surface water management, the beneficiation plant and all associated infrastructure, tailings storage facilities and water storage dam, a gas fired power plant and gas supply pipeline, a 30 kV overhead line ("OHL") to support construction and early works, mine access roads, an accommodation camp and port infrastructure. Costs and schedules associated with procurement, construction management and commissioning are also included.

Hatch delivered a robust execution strategy, which provides high confidence in achieving execution success. The beneficiation plant employs standard and proven technologies, and the design is based on extensive laboratory and pilot-scale test work completed between 2013 and 2016.

### Further Opportunities

A mine plan was run, scheduling the immediate commencement of Phase 2 production, i.e. 2 Mtpa of phosphate rock concentrate to be exported through a new port facility. This opportunity led to a conservative increase in ungeared NPV (at 11.1% discount rate) to US\$ 543 million with an IRR of 21%. The estimated capital cost for the immediate commencement of Phase 2 is US\$ 618 million, based on the study work completed. If this option is studied further, it will be possible to optimise both capital and operating costs further.

Opportunities also exist to enter into a long-term power purchase agreement with one of several companies already established in-country. The capital cost of the gas fired power plant would therefore be removed from the estimate, although this would be offset by an increase in power costs.

A number of other capital cost optimisation initiatives have been identified for investigation ahead of detailed design.

### **Updated ESIA**

The project has an approved environmental compliance certificate issued in April 2020, valid for 25 years. As a result of the modifications to the project in the Hinda Updated FS, the ESIA has been updated to comply with local regulations. The updated ESIA has been conducted in parallel with the execution of the Updated FS and was submitted to the RoC Ministry of Environment in December 2021.

### **Mining Investment Agreement (“MIA”)**

At the end of 2018, Kropz received the supervisory authority to initiate the process of ratification of the Hinda exploitation convention or MIA, which sets out the legal and fiscal framework under which Cominco S.A. would invest and operate within the RoC. The MIA was signed by all parties on 10 July 2018 and ratified by the RoC Government on 8 November 2021.

### **Declaration d’Utilite Publique (“DUP”)**

The Ministry of Land Tenure and Public Domain is responsible for managing land tenure and legal land rights in RoC. The land commission evaluates the land usage requirements of the Hinda Project and liaises with legal property owners and traditional land users to determine, based on the legislation, a baseline for land use to be used for compensation and relocation. This process is undertaken in line with IFC and other relevant standards.

The main declaration of public utility (DUP) process covering an area of 33 km<sup>2</sup> was launched in September 2020. Public consultations were organized by Cominco and CM2E. The initial land survey was carried out from end of November 2020 until mid-January 2021. Following optimisation through the Updated FS, the land footprint was reduced to 30 km<sup>2</sup>.

The MIA states that expropriation costs and compensations are to be borne by the government of the RoC.

### **General**

In country, given the COVID pandemic, focus was on progressing the port occupancy agreement and sustaining solid relations with the local communities. Kropz maintains communications with a number of key stakeholders, including government, and local service providers.

### **Mineral resources**

The Hinda resource is defined below, on a total (gross) and net attributable basis. No additional drilling was conducted in 2021.

**Mineral Resource Statement, as declared by SRK on 31 August 2018**

Class	Quantity (Mt)	Grade (%P <sub>2</sub> O <sub>5</sub> )	Grade (%Al <sub>2</sub> O <sub>3</sub> )	Grade (%MgO)	Grade (%Fe <sub>2</sub> O <sub>3</sub> )	Grade (%CaO)	Grade (%SiO <sub>2</sub> )	Contained P <sub>2</sub> O <sub>5</sub> (Mt)
<b>Gross</b>								
Measured	200.5	11.6	3.7	3.8	1.4	21.8	42.7	23.3
Indicated	380.9	9.8	5.0	3.3	1.8	17.6	48.5	37.3
Inferred	94.4	7.5	4.8	3.6	1.7	15.8	52.2	7.1
<b>Total</b>	<b>675.8</b>	<b>10.0</b>	<b>4.6</b>	<b>3.5</b>	<b>1.7</b>	<b>18.6</b>	<b>47.3</b>	<b>67.7</b>
<b>Net Attributable (90% attributable to the Company)</b>								
Measured	180.5	11.6	3.7	3.8	1.4	21.8	42.7	20.9
Indicated	342.8	9.8	5.0	3.3	1.8	17.6	48.5	33.6
Inferred	85.0	7.5	4.8	3.6	1.7	15.8	52.2	6.4
<b>Total</b>	<b>608.3</b>	<b>10.0</b>	<b>4.6</b>	<b>3.5</b>	<b>1.7</b>	<b>18.6</b>	<b>47.3</b>	<b>60.9</b>

**Safety, health and environment**

No environmental or safety incidents were reported during the year.

**Sustainability**

Cominco S.A. continued its interactions with the local communities associated with the Hinda project. On-going projects include the funding of teachers at local schools, educational support for vulnerable children, and food security projects through the establishment of nurseries.

**Post reporting period events**

The first phase of construction of a small office at the future construction site near PK Mbili has been complete. Additional works are ongoing. The routing for the 30 kV OHL has been finalised and surveyed, and the tie-in point with the existing Mboundi power station has been confirmed.

A memorandum of understanding has been signed with Italian gas major, ENI, in a move to secure the gas supply for the gas fired power plant and the concentrate dryer, both located at the mine site. Discussions with the port authority are ongoing to secure a port access agreement.

**Strategy**

The Company's long-term strategy is to build a portfolio of high-quality phosphate mines and to be a major player within the sub-Saharan African plant nutrient sector. Its priority is to bring Elandsfontein to steady-state production and then to develop Hinda.

**Business model**

The Company's business model is to source high-quality resources and to bring them into production to contribute to the Company's strategic competitiveness and profitability.

Once production has commenced at Elandsfontein and Hinda, the Company may consider acquiring additional assets and/or adding downstream beneficiation opportunities, where the Board believes shareholder value could be increased.

## **Objectives and outlook for the year ahead**

### **Objectives**

#### **Kropz**

Kropz's overriding objective is to deliver strong shareholder and stakeholder returns over the long term.

#### **Elandsfontein**

The primary focus of the year ahead will be to increasing ramp-up of operations to achieve nameplate capacity and enable the first commercial bulk shipment of phosphate rock concentrate while optimising process recoveries. Full production capacity is expected in Q4 2022.

#### **Hinda**

Further to the completion of the Hinda Updated FS in December 2021, management is working to secure funding to commence with project development in accordance with the MIA.

### **Outlook**

Kropz's Elandsfontein project delivered first production in early 2022. The Company is confident in the inherent value contained within each of its core assets. Global phosphate rock demand and pricing is robust, and the work being carried out will provide Kropz with direction for the next phase of its development, subject to short-term challenges being managed. The year ahead should provide the Company with a solid foundation for its future development.

## **Financial review for the year ended 31 December 2021**

Summary financial highlights for the year:

- Cash and cash equivalents of US\$ 2 million (2020: US\$ 12 million)
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP of US\$ 5 million (2020: US\$ 7 million). The restricted cash was released by BNP on 10 January 2022;
- Various equity and debt raises as set out in "Highlights" on page 1;
- Trade and other payables of US\$ 4 million (2020: US\$ 5 million); and
- Property, plant, equipment and development and exploration assets of US\$ 180 million (2020: US\$ 159 million).

### **Key performance indicators**

The Company is a mining and development entity whose assets comprise a mine and plant in the ramp-up phase in South Africa and an exploration asset in the RoC. Currently, minor revenues have been generated from local sales in South Africa. The key performance indicators for the Company will be first bulk production of phosphate rock from Elandsfontein, achieving steady state production and the successful advancement of the Hinda project.

## **Principal risks and uncertainties**

The Company and its subsidiaries (“the Group”) are subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. The following risk factors, which are not presented in any order of priority, do not purport to be a complete list or explanation of all the risks involved in the Company or the Group’s activities.

### **Ramp-up of Elandsfontein**

The Elandsfontein project may require further funding to achieve steady state operations in Q4 2022. Any delays in securing of additional funding will have an adverse impact on the business and financial performance of the operation. There can be no guarantee that implementation of the recently completed modifications identified by the Company and its technical consultants will result in a successful long-term operation of the mine. Failure to achieve ramp-up of the Elandsfontein project, or a significant delay in the completion of ramp-up, could result in a material adverse impact on the business, and the financial performance and position of the Group. Further, see risk factor: COVID outbreak.

### **Access to infrastructure**

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing Hinda, the Group may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, logistics services and access roads.

Reliable roads, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Group’s operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Group’s sites could materially adversely affect the Group’s results of operations or financial condition.

Furthermore, any failure or unavailability of the Group’s operational infrastructure (for example, through equipment failure, disruption to its transportation arrangements or reduced port capacity) could materially adversely affect the production output from its mines or development of a mine or project.

Limited or reduced port capacity at the Port of Saldanha, as well as the associated cost increase for procuring alternative logistics could have an adverse impact on the business and financial performance of the Group.

### **Operational targets**

The Group’s principal asset, the Elandsfontein project, is an early stage mining and production project that has no operating track record upon which to base estimates of future production rates, operating costs, capital expenditures or financial performance. The operational targets of the Group will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. It is, therefore, possible that mining and production rates might fluctuate.

The financial performance of the Group is subject to its ability to achieve a target concentrate specification and production efficiency at its Elandsfontein project, according to its pre-determined budget. Failure to do this may result in failure to achieve operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. Further, mining and production rates might fluctuate.

Excessive overburden stripping, non-economical mining of ore and the dilution of feed grade to the processing facility could all have an adverse impact on the processing operations. Furthermore, a high variability in the daily feed grades could also have an adverse impact on operations and financial performance of the Group.

Any further unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

#### **New entrant risk**

Kropz Elandsfontein will, once production has been achieved of a commercial saleable grade product, be a new entrant in the global phosphate rock market, selling its products into a globally competitive and established market.

There can be no guarantee that the sales estimates set by Kropz Elandsfontein will be achieved until a successful track record has been achieved. Not achieving appropriate selling prices for its commercial grade products, would have a material adverse effect on the business, operations and financial performance of the Group.

#### **Mining risks**

The business of mining and mineral processing involves a number of risks and hazards, including industrial accidents, labour disputes, community conflicts, activist campaigns, unusual or unexpected geological conditions, geotechnical risks, ore variability, equipment failure, changes in the regulatory environment, environmental hazards, ground water and weather and other natural phenomena such as earthquakes and floods. The Group may experience material mine or plant shutdowns or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, and may result in actual production differing, potentially materially, from estimates of production, whether expressly or by implication. There can be no assurance that the realisation of operating risks and the costs associated with them will not materially adversely affect the results of operations or financial conditions of the Group.

Geotechnical, ore variability, geological and hydrogeological risks could have a material adverse impact on the safety, business and financial performance of the Group's operation.

Failure to successfully dewater the mining area and maintain water levels in the mining area at the Elandsfontein project could have a material adverse impact on the operational performance, financial performance and financial condition of the Group.

#### **Enforcement of contractual rights in the RoC**

The legal system in the RoC is based on the French civil law system (the Civil Code of the former French Equatorial Africa), which has enacted the Uniform Act to harmonise business law in Africa in order to guarantee legal and judicial security for investors and companies in its member states, as well as a Uniform Act on Arbitration Law, allowing recourse to a standard arbitration mechanism for the settlement of contractual disputes arising from civil or commercial contracts concluded in the RoC as an alternative to RoC courts for legal proceedings relating to contracts.

Under Congolese law, parties may enter into private contracts in the language of their choice, however, a French translation is always required for them to be used before any constituted authority in the RoC. In addition, enforcement of contracts concluded outside of Congo before an RoC court, administrations and other constituted authorities, requires their prior registration with the Office for Registration and Stamp Duties and, in the absence of a specific exemption, payment of the applicable registration fees and stamp duties.

Certain contracts concluded in the RoC (such as leases) must also be presented for registration with the Office for Registration and Stamp Duties, due to their nature and listing in the General Tax Code, Volume 2. Moreover, certain contracts (such as commercial leases) must also be notarised or authenticated by a notary if concluded as private deeds, prior being registered as described above.

If any of these processes are not strictly followed, the RoC courts and administrations may disregard the concerned contract and, as regards the requirement to register certain contracts with the Office for Registration and Stamp Duties, the tax administration may apply fines of 100% of the amount of registration fees due. Further, the tax administration tends to disregard any payment convention exemption for the purpose of applying these fines.

If any of the Group's contracts are deemed unenforceable, this could have a material adverse effect on the operations and financial results of the Group.

### **COVID outbreak**

The outbreak of COVID has had an impact on the Group's businesses and operations and will continue to do so. The timescale attached to this risk is not currently known. There is a risk that the outbreak, and subsequent waves of infections in different countries, has a material adverse impact on the Group's operations and financial results.

Directives are issued and measures implemented, from time to time, by the South African and RoC Governments to contain the spread of COVID involving lockdowns, curfews, quarantine requirements and travel restrictions ("Directives"). Kropz continuously monitors the situation closely, both in South Africa and the RoC, and codes of practice are in place to deal with outbreaks on site.

Kropz is currently unable to quantify the impact of the Directives going forward, but the Group will continue to progress all its workstreams as previously outlined.

### **Commodity pricing**

The future profitability and viability of the Group's operations will be dependent upon the market price of phosphate rock to be sold by the Group. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities, the global level of demand from consumers and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. Commodity prices have fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. A significant or sustained downturn in commodity prices would adversely affect the Group's available cash and liquidity and could have a material adverse effect on the business, results of operations and financial condition of the Group in the longer term.

In addition to adversely affecting the Group's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the Elandsfontein project and the Hinda project are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **Environmental regulation and environmental compliance**

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental and safety legislation and regulation (e.g. in relation to reclamation, disposal of waste products, pollution and protection of the environment, protection of wildlife and otherwise relating to environmental protection) is frequently changing and is generally

becoming more restrictive with a heightened degree of responsibility for companies and their Directors and employees and more stringent enforcement of existing laws and regulations. Future changes could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation.

Breach of any environmental obligations could result in penalties and civil liabilities and/or suspension of operations, any of which could adversely affect the Group. Further, approval may be required for any material plant modifications or additional land clearing and for ground disturbing activities. Delays in obtaining such approvals could result in the delay to anticipated exploration programmes or mining activities.

There may also be unforeseen environmental liabilities resulting from mining activities, which may be costly to remedy. If the Group is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Group. The Group has not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) as it is not generally available at a price which the Group regards as reasonable.

In South Africa, the Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations 2015 (R1147 of 20 Nov 2015) provides that the holder of a mining right must provide for rehabilitation and remediation costs, with particular reference to when the mine is decommissioned at the end of mining, or production operations. It is expected that mining operations at Elandsfontein will cease in year 2032. The under-provision of such a rehabilitation liability could result in future liabilities being payable, which could have a material adverse impact on the financial condition of the Group.

#### **Government regulation and political risk**

The Group's operating activities are subject to laws and regulations governing expropriation of property, health and worker safety, employment standards, waste disposal, protection of the environment, mine development, land and water use, prospecting, mineral production, exports, taxes, labour standards, occupational health standards, toxic wastes, the protection of endangered and protected species and other matters. While the Directors believe that the Group is in compliance with all material current laws and regulations affecting its activities, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits and agreements applicable to the Group or its properties, which could have a material adverse impact on the Group's current operations or planned development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and the Group cannot assure whether any necessary permits will be obtainable on acceptable terms, in a timely manner or at all.

The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Group from proceeding with any future exploration or development of its properties. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

The Group has operations located in South Africa and the RoC and the Group's activities may be affected in varying degrees by political stability and governmental regulations. Any changes in regulations or shifts in political attitudes in South Africa and the RoC are beyond the control of the Group and may adversely affect its operations.

#### **Adverse sovereign action**

The Group is exposed to the risk of adverse sovereign action by the governments of South Africa, RoC and other governments. The mining industry is important to the economies of these countries and thus can be expected to be

the focus of continuing attention and debate. In similar circumstances in other developing countries, mining companies have faced the risks of expropriation and/or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

### **Environmental, social and governance (“ESG”) and climate change**

As the focus on ESG increases, there are increasing environmental, social and governance risks that may affect the Group’s ability to raise capital; obtain permits; work with communities, regulators and NGOs; and/or protect its assets from impairments.

At Kropz, we acknowledge that our business activities affect the society and environment around us, and that we have an opportunity and an implicit duty to ensure this impact is positive. We also believe that efficient and sustainable operations are a necessities for long-term value creation.

We are committed to taking responsibility when conducting our business by integrating ESG factors into our investment decisions and operational processes. Given the stage of development of Kropz, social initiatives have been limited to those outlined above at Elandsfontein.

Climate change could potentially affect the demand for fertilisers by impacting global agricultural activity. This in turn could affect the demand for fertiliser feed materials, and could cause events such as prolonged droughts that could reduce the availability of water at the different project sites.

As the Kropz operations develop, more initiatives will be undertaken on the ESG front and progress on these will be reported on in the next annual report.

### **Governance**

The Board considers sound governance as a critical component of the Group’s success and the highest priority. The Company has an effective and engaged Board, with a strong non-executive presence from diverse backgrounds, and well-functioning governance committees. Through the Group’s compensation policies and variable components of employee remuneration, the Remuneration and Nomination Committee (“Remuneration Committee”) of the Board seeks to ensure that the Company’s values are reinforced in employee behaviour and that effective risk management is promoted.

More information on our corporate governance can be found in the Corporate Governance Report on pages 43 to 55.

### **Directors’ section 172 statement**

The following disclosure describes how the Directors have had regard to the matters set out in section 172 and forms the Directors’ statement required under section 414CZA of The Companies Act 2006. This reporting requirement is made in accordance with the corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationships with suppliers, customers and others;
- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly between members of the Company.

The analysis is divided into two sections, the first to address stakeholder engagement, which provides information on stakeholders, issues and methods of engagement. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

### **Section 1: Stakeholder mapping and engagement activities within the reporting period**

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, joint venture partners, debt providers, employees, government bodies, local community and vendor partners. The Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

<b>Who</b> are the key stakeholder groups	<b>Why</b> is it important to engage this group of stakeholders	<b>How</b> did Kropz engage with the stakeholder group	<b>What</b> resulted from the engagement
<p><b>Equity investors and equity partners</b></p> <p>All substantial shareholders that own more than 3% of the Company's shares are listed on page 39 of the Directors' Report.</p> <p>The Company owns 74% of Kropz Elandsfontein, the owner of the Elandsfontein project in South Africa. 26% is owned by ARC.</p> <p>The Company owns 70% of Elandsfontein Land Holdings (Pty) Ltd ("ELH"), the owner of the Elandsfontein mining property in South Africa. 30% is owned by ARC.</p> <p>Kropz Elandsfontein may require further funding to complete the ramp up at Elandsfontein and Cominco Resources requires further funding to develop Hinda.</p> <p>As such, existing equity investors and potential investment partners are important stakeholders.</p>	<p>Access to capital is of vital importance to the long-term success of the business to enable the development of Hinda. Equity partner involvement is vital to the success of the development of these projects, without which the Company cannot create value for its shareholders by producing phosphate rock concentrate and therefore a return on the investment.</p> <p>Through selected engagement activities, the Company strives to obtain investor buy-in into its strategic objectives detailed on page 11 and the execution thereof.</p> <p>The Company seeks to promote an investor base that is interested in a long-term holding in the Company and will support the Company in achieving its strategic objectives.</p> <p>During the course of 2021, the percentage of shares held in public hands decreased and the overall daily volume of shares traded increased.</p>	<p>The key mechanisms of engagement included:</p> <p><b>Substantial shareholders</b></p> <ul style="list-style-type: none"> <li>Both ARC and Kropz International have appointed Directors to the Board of Kropz; and</li> <li>The other existing substantial shareholders have regular meetings and interactions with the Chairman and/or CEO.</li> </ul> <p><b>Investment and equity partners</b></p> <ul style="list-style-type: none"> <li>ARC have representatives on the Kropz Elandsfontein and ELH Boards of Directors in terms of the respective shareholder's agreements; and</li> <li>Regular Board meetings are held.</li> </ul> <p><b>Prospective and existing investors</b></p> <ul style="list-style-type: none"> <li>The AGM and Annual and Interim Reports;</li> <li>Investor roadshows and presentations;</li> <li>One on one investor meetings with the Chairman and/or CEO;</li> <li>Access to the Company's broker and advisers;</li> <li>Regular news and project updates; and</li> <li>Social media accounts e.g. Twitter @Kropzplc;</li> <li>Site visits for potential cornerstone investors.</li> </ul>	<p>The Company engaged with investors on topics of strategy, governance, project updates and performance.</p> <p>Please see "Dialogue with shareholders" section of the Directors' report on page 39.</p> <p>The CEO presented at a number of investor roadshows, conferences and one on one meetings.</p> <p>During 2021, the Company completed the Further Equity Facility for US\$ 5 million and the New ZAR Equity Facility for ZAR 200 million, both with ARC.</p> <p>In terms of the additional facilities and capital injection prior to 31 December 2021, ARC will potentially acquire a total further 3.2% interest in the Company, eventually taking its 83.7% interest at December 2021, to 86.9%.</p> <p>At the Company's AGM held on 30 June 2021 all resolutions were duly passed with at least 96% votes in favour demonstrating broad shareholder support.</p> <p>At the Company's general meeting held on 23 July 2021 all resolutions were duly passed with 100% of the votes cast in favour of resolutions proposed.</p> <p>At the Company's general meeting held on 15 October 2021 all resolutions were duly passed with at least 98% votes in favour of resolutions proposed.</p>
<p><b>Funding providers</b></p> <p>Kropz Elandsfontein has a US\$30 million, fully utilised,</p>	<p>Access to funding is of vital importance to the long-term success of the business to be</p>	<ul style="list-style-type: none"> <li>One on one meetings with the CEO and/or COO;</li> </ul>	<p>In May 2020, the amended facility agreement was signed between Kropz Elandsfontein</p>

<p>debt facility with BNP that commenced in September 2016.</p>	<p>able to complete the Elandsfontein project. The debt facility was utilised in the construction of Elandsfontein.</p> <p>Various contractual conditions of the debt finance require regular updates on ongoing progress.</p> <p>Ongoing support from potential new debt providers is required to achieve the construction of Hinda.</p>	<ul style="list-style-type: none"> <li>• Regular reporting on project progress;</li> <li>• Ad hoc discussions with management, as required; and</li> <li>• Tripartite discussions between Kropz Elandsfontein, ARC and management to ensure there are no compliance matters outstanding in relation to the facility.</li> </ul>	<p>and BNP, thereby moving the first principal debt repayment to 31 December 2022.</p>
<p><b>Employees</b> The Company has 14 South African, 2 UK and 5 RoC employees, including its Directors.</p> <p>Two of the Directors are UK residents, 1 Monegasque, 1 American and 2 are South African resident Directors.</p> <p>The CEO during the year under review was South Africa-based. The CEO allocates 35% of his time to matters relating to the Company in the UK.</p>	<p>The majority of its employees going forward will be based in South Africa and the Directors consider workforce issues holistically for the Group as a whole.</p> <p>The Company's long-term success is predicated on the commitment of its workforce to its vision and the demonstration of its values on a daily basis.</p> <p>The Board have identified that reliance on key personnel is a known risk.</p>	<p><b>General employees</b></p> <ul style="list-style-type: none"> <li>• The Company maintains an open line of communication between its employees, senior management and the Board.</li> <li>• The CEO reports regularly to the Board;</li> <li>• Key members of the executive team are invited to some of the audit and risk committee meetings;</li> <li>• There is a formalised employee induction into the Company's corporate governance policies and procedures; and</li> <li>• There is an HR function in the UK.</li> </ul> <p><b>South African employees</b></p> <ul style="list-style-type: none"> <li>• There is an HR function in South Africa;</li> <li>• Senior management regularly visit the operations in South Africa and engage with its employees through one on one and staff meetings, employee events, project updates, etc; and</li> <li>• Staff safety committees continue to operate.</li> </ul>	<p><b>Employees</b> The Board met with management to discuss the long-term remuneration strategy.</p> <p>Advisors were appointed to do the independent party review to examine non-executive Director and executive team remuneration in 2018 at the time of the AIM IPO.</p> <p>Board reporting has been optimised to include sections on engagement with employees.</p> <p><b>South African and Congo employees</b> The team were trained in aspects of corporate policies and procedures to engender positive corporate culture aligned with the Company code of conduct.</p> <p>Meetings were held with staff to provide project updates and ongoing business objectives.</p>

		<b>Congo employees</b> <ul style="list-style-type: none"> <li>Senior management regularly visit the operations in RoC and engage with its employees through one on one and staff meetings, employee events, project updates, etc.</li> </ul>	
<b>Governmental bodies</b> The Company is impacted by national, regional and local governmental organisations in South Africa and the RoC.	Regular engagement with organs of state at national, regional and local levels is required to keep stakeholders informed and supportive of project developments.	<p>The Company provides general corporate presentations regarding the Elandsfontein project development as part of ongoing stakeholder engagement with the South African government, Western Cape provincial government and local municipal government. The Company maintained its good relations with the respective government bodies and frequently communicated progress.</p> <p>The Company engages with the relevant departments of the RoC government in order to progress the development of Hinda.</p>	<p>Meetings have been held with various representatives of the national, regional and local government bodies, to discuss ongoing compliance and other regulatory matters relating to mining.</p> <p>The Company has received its South African requisite environmental and land use permits.</p> <p>In addition, the Company has received the required permits to develop Hinda, subject to securing of funding for these activities.</p>
<b>Community</b> The local communities adjacent to Elandsfontein in South Africa and Hinda in the RoC.	<p>The Company engages with the local community to obtain acceptance for future development plans.</p> <p>Community engagement will inform better understanding and decision making.</p> <p>The local community in Hopefield and the greater Saldanha Bay municipal area provides employees for Elandsfontein and its contractors for operations. Similarly, the communities surrounding Hinda will provide employees to the project and contractors during construction and operation.</p> <p>The Company will have a social and economic impact on the local communities. The Company is committed to ensuring sustainable growth, minimising adverse impacts. The Company will engage</p>	<ul style="list-style-type: none"> <li>The Company has community liaison officers in South Africa and RoC;</li> <li>The Company has identified all key stakeholders within the local community in the reporting period;</li> <li>Elandsfontein management has open dialogue with the local government and community leaders regarding the project development;</li> <li>Similarly, Hinda management are actively engaging with local government and communities directly impacted by the Hinda project; and</li> </ul>	<p>The Company has ongoing engagements with the local community as part its sustainability initiatives.</p> <p>Stakeholder identification has enabled the Company to ensure that representatives of all stakeholder groups may participate in the community engagement programme.</p>

	these stakeholders as is appropriate.	<ul style="list-style-type: none"> <li>The Company has existing Corporate Social Responsibility policies and management structure at corporate level. The Company will expand on these policies and structures at a local project level as the Company moves into production.</li> </ul>	
<p><b>Suppliers</b></p> <p>During the Elandsfontein operations phase, the Company will be using key suppliers under commercial contracts for the operations of mine, plant, road and port logistic operators and laboratory service providers, all of whom are reputable and established service providers.</p> <p>The Company also relies on a number of supply and maintenance contracts to ensure ongoing operations. At a community level, the Company has also partnered with a number of SMME companies.</p>	<p>Kropz's contractors and suppliers are fundamental to ensuring that the Company can meet the ramp-up and steady state operating objectives.</p> <p>Using quality suppliers ensures that as a business, the high performance targets can be met.</p>	<ul style="list-style-type: none"> <li>Management continue to work closely with appointed contractors, consultants and suppliers to manage and optimise deliverables; and</li> <li>One on one meetings between management and suppliers;</li> <li>Vendor site visits and facility audits to ensure supplier is able to meet requirements;</li> <li>Contact with procurement department and accounts payable; and</li> <li>Assist local suppliers to address liquidity challenges.</li> </ul>	<p>See page 8 of the strategic report for an update on the potential transport and logistics uncertainties facing the Group.</p> <p>Smaller local vendors were engaged at a broader level to better align with company objectives.</p>

## **Section 2: Principal decisions by the Board**

Principal decisions are defined as both those that have long-term strategic impact and are material to the Group, but also those that are significant to key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

### **During the financial year ending 31 December 2021**

#### **Divestment by the Company of its equity interest in Aflao, Ghana, entered into on 16 February 2021**

During 2020, the Board agreed to divest from its 50% plus 1 share interest in First Gear Exploration Limited ("FGE"), the owner of the Aflao prospecting right. During February 2021, Kropz disposed of its interest in FGE to Consortium Minerals Ltd ("Consortium"), for a consideration of US\$ 327,529, made up as follows:

- US\$ 5,000 in cash ("Share Consideration"); and
- US\$ 322,529 ("Loan Consideration") deferred cash consideration in respect of the shareholder loan from Kropz to FGE, which is being novated to Consortium.

The Share Consideration was payable by Consortium within seven days of completion. The Loan Consideration will be payable by Consortium to Kropz upon, the earlier of,

- (i) the sign-off by a competent person of a definitive feasibility study on the Aflao deposit, as defined in the JORC Code 2012 edition; or
- (ii) Consortium disposing or transferring the Shares prior to the event described in (i) being achieved; or
- (iii) Consortium disposing or transferring the prospecting right prior to the event described in (i) being achieved.

Consortium is a subsidiary of Russell Brooks Ltd, who is a minority shareholder in FGE, with a 15% shareholding prior to the acquisition from Kropz.

The decision is aligned with the business model set out in the Company strategy, which was to invest in high quality assets in the phosphate rock market.

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole.

#### **Convertible loan facility for US\$ 5 million from ARC, entered into on 15 February 2021**

Kropz secured the Further Equity Facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly drawdowns under the Equity Facility are at the sole discretion of Kropz. The first draw down of US\$ 2 million on the Further Equity Facility occurred on 10 March 2021, the second draw down of US\$ 2 million occurred on 23 June 2021, the third drawdown of US\$ 400,000 occurred on 10 September 2021 and the fourth drawdown of US\$ 400,000 occurred on 10 December 2021. The fifth and final drawdown of the Further Equity Facility occurred on 10 March 2022.

No specific shareholder approval was required for the Further Equity Facility as the Company received the necessary authority at the AGM in August 2020 to allot shares for cash, without first offering them to existing shareholders in proportion to their existing shareholdings, of approximately 20% of the Company's issued share capital at that time, representing 88,792,180 new ordinary shares. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

Repayment of the Further Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 4.202 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.73 GBP.

The key stakeholder groups that could be materially impacted are existing shareholders and potential investors.

Existing shareholders may have conflicting interests with the Further Equity Facility due to potential dilution of their shareholding. The Directors considered the impact of this and concluded that obtaining the convertible facility from ARC was the only funding opportunity available to the Company in order to secure funding for the Hinda Update FS and for general working capital for the Group. Various funding alternatives had been investigated by the Directors, in conjunction with its brokers and advisers, over the last year, both from an equity raise perspective and through possible project finance facilities. Equity markets were subdued and no new or existing equity investors were prepared to provide the funding required for the Hinda Updated FS and Kropz's working capital requirements.

Due to the fact that Machiel Reyneke, the ARC representative on the Board, and Mike Nunn, representing Kropz International are considered to be concert parties, they were not permitted to consider or vote on the approval of the proposed US\$ 5 million Further Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Further Equity Facility, ARC could increase its interest in the Company by a further approximate 2%, taking its eventual interest in the Company to approximately 84%.

The conclusion was that the Further Equity Facility was fair and reasonable, and the transaction was approved by the independent Directors, in consultation with the nominated adviser, and announced on RNS on 26 February 2021.

#### **Convertible loan facility for ZAR 200 million from ARC, entered into on 29 September 2021**

Kropz secured the New ZAR Equity Facility of up to ZAR 200 million from ARC in September 2021, to be used exclusively for the delivery of the Company's Elandsfontein project to first revenue.

The New ZAR Equity Facility comprised a total commitment of up to ZAR 200 million provided by ARC, which can be drawn down at the discretion of Kropz, as follows:

- ZAR 127 million from 15 October 2021 and up to 30 April 2022; and
- ZAR 73 million from the date as determined by ARC, and at its discretion, but no earlier than 15 October 2021 and until a further date as determined by ARC.

At any time during the term of the New ZAR Equity Facility, repayment of the New ZAR Equity Facility capital amount will, at the election of ARC, either be:

- In the form of the conversion into ordinary shares of 0.1 pence each in the Company and issued to ARC, at a conversion price of 4.5058 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 September 2021, and at fixed exchange rate of GBP 1 = ZAR 20.24 ("Conversion"); or
- Payable in cash by the Company at the end of the term of the New ZAR Equity Facility.

The New ZAR Equity Facility would bear interest at 14% per annum and would be compounded monthly ("Interest"). Interest would be payable in cash to ARC by the Company. The term of the New ZAR Equity Facility would be from 15 October 2021, to the earlier of 5 years from 15 October 2021, or one year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (Pty) Ltd (in the amount not exceeding US\$ 30 million), had been repaid.

The New ZAR Equity Facility was secured by the shares which Kropz holds in Cominco Resources Ltd ("Share Charge").

The first draw down of ZAR 90 million on the New Equity Facility occurred on 26 October 2021 and the second draw down of ZAR 37 million occurred on 10 December 2021.

Post 31 December 2021, the third drawdown of ZAR 40 million occurred on 16 March 2022 and the fourth drawdown of ZAR 33 million occurred on 26 April 2022. The New ZAR Equity Facility is fully drawn at the date of this annual report.

Specific shareholder approval was required for the New ZAR Equity Facility, which shareholder approval was obtained on 15 October 2021. Ordinary shares to be issued to ARC in terms of the New ZAR Equity Facility, if so elected by ARC, would be a maximum of 219,304,517 ordinary shares.

The key stakeholder groups that could be materially impacted are existing shareholders and potential investors.

Existing shareholders may have conflicting interests with the New ZAR Equity Facility due to potential dilution of their shareholding. The Directors considered the impact of this and concluded that obtaining the convertible facility from ARC was the only funding opportunity available to the Company in order to secure funding for the delivery of the Elandsfontein project to first revenue. Various funding alternatives had been investigated by the Directors, in conjunction with its brokers and advisers, over the last year, both from an equity raise perspective and through possible project finance facilities. Equity markets were subdued and no new or existing equity investors were prepared to provide the required funding.

Due to the fact that Machiel Reyneke, the ARC representative on the Board, and Mike Nunn, representing Kropz International are considered to be concert parties, they were not permitted to consider or vote on the approval of the proposed New ZAR Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the New Equity Facility, ARC could increase its interest in the Company by a further approximate 3%, taking its eventual interest in the Company to approximately 87%.

The conclusion was that the New ZAR Equity Facility was fair and reasonable and the transaction was approved by the independent Directors, in consultation with the nominated adviser, and announced on RNS on 29 September 2021.

#### **Post 31 December 2021**

As announced on 18 January 2022, Kropz issued 6,700,000 ordinary shares, at an exercise price of £0.001 an ordinary share, in the Company to key members of the executive management team, including certain PDMRs. The issue of ordinary shares are due to awards vesting and issued under its LTIP Awards, issued on 31 July 2020 as announced on 4 August 2020. Of the total above, 2,350,000 ordinary shares were issued to Mark Summers, 2,350,000 ordinary shares to Michelle Lawrence and 1,000,000 to Patrick Stevenaert.

BNP Paribas released the ZAR 77 million restricted cash in the bank account of Kropz Elandsfontein (Pty) Ltd on 10 January 2022, upon satisfaction of the requirement by BNP Paribas for the Group to bridge the funding shortfall in respect of Elandsfontein as announced on 1 September 2021. The funding shortfall was satisfied when the New ZAR Equity Facility was secured from ARC.

#### **Convertible loan facility for ZAR 177 million from ARC, entered into on 11 May 2022**

As announced on 27 April 2022, a funding shortfall of approximately US\$ 11 million (approximately ZAR 177 million) was expected due to slower than expected progress in the ramp up of operations at Kropz Elandsfontein, production of sufficient phosphate rock concentrate for the first bulk sale would move to later than originally expected.

The ZAR 177 Million Equity Facility was in addition to the New ZAR Equity Facility, which ARC and the Company entered into in February 2021.

As announced on 27 April 2022, Kropz and ARC entered into a further ZAR 25 million (approximately US\$ 1.60 million) bridge loan facility (the “Loan”) to meet immediate cash requirements at Elandsfontein at the end of April 2022, expected to be ZAR 58 million. When the ZAR 177 Million Equity Facility becomes unconditional, the Loan will be offset against it leaving ZAR 152 million available for future drawdown.

The ZAR 177 Million Equity Facility comprises a total commitment of up to ZAR 177 million provided by ARC, which can be drawn down at the discretion of ARC.

At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount would, at the election of ARC, either be:

- In the form of the conversion into ordinary shares of 0.1 pence each in the Company and issued to ARC, at a conversion price of 9.256 pence per ordinary share each, representing the 30-day VWAP on 4 May 2022, and at a fixed exchange rate of ZAR 1 = GBP 0.0504 (“Further Conversion”); or
- Payable in cash by the Company at the end of the term of the ZAR 177 Million Equity Facility.

The first drawdown of ZAR 103.5 million was made on 2 June 2022. Following a Further Conversion, the Company would apply for the newly issued Ordinary Shares in the capital of the Company to be admitted to trading on AIM.

The ZAR 177 Million Equity Facility will bear interest at 14% per annum and will be compounded monthly and will be payable in cash to ARC by the Company.

The term of the ZAR 177 Million Equity Facility is from 2 June 2022 to the earlier of:

- Five years from 2 June 2022; or
- One year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (in the amount not exceeding US\$ 30 million), has been repaid;

The ZAR 177 Million Equity Facility is secured by the shares that Kropz holds in Cominco Resources Ltd.

The ZAR 177 Million Equity Facility was conditional on:

- approval from the SARB. The SARB application was lodged on 17 May 2022 and the approval received on 1 June 2022; and
- shareholder approval of the Company which was received on 30 May 2022.

The ZAR 177 million Equity Facility was above the authorisation limits given at the last Annual General Meeting in June 2021. Specific shareholder approval was required for the ZAR 177 Million Equity Facility, which shareholder approval was obtained on 30 May 2022. Ordinary shares to be issued to ARC in terms of the New ZAR 177 Million Equity Facility, if so elected by ARC, would be a maximum of 96,378,566 ordinary shares.

The key stakeholder groups that could be materially impacted are existing shareholders and potential investors.

Existing shareholders may have conflicting interests with the ZAR 177 Million Equity Facility due to potential dilution of their shareholding. The Directors considered the impact of this and concluded that obtaining the convertible facility from ARC was the only funding opportunity available to the Company in order to secure funding for the delivery of the Elandsfontein project to first revenue. Various funding alternatives had been investigated by the Directors, in conjunction with its brokers and advisers, over the last year, both from an equity raise perspective and

through possible project finance facilities. Equity markets were subdued and no new or existing equity investors were prepared to provide the required funding.

Due to the fact that Machiel Reyneke, the ARC representative on the Board, and Mike Nunn, representing Kropz International are considered to be concert parties, they were not permitted to consider or vote on the approval of the proposed US\$ 5 million Further Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the New ZAR Equity Facility and the ZAR 177 Million Equity Facility, ARC could increase its interest in the Company by a further approximate 4.3%, taking its eventual interest in the Company to approximately 87.5%.

The conclusion was that the ZAR 177 Million Equity Facility was fair and reasonable and the transaction was approved by the independent Directors, in consultation with the nominated adviser, and announced on RNS on 11 May 2022.

This Strategic Report was approved by the Board of Directors.

**Mark Summers**  
**Chief Executive Officer**  
28 June 2022

**Consolidated Statement of Financial Position**  
**As at 31 December 2021**

		31 December 2021 US\$'000	31 December 2020 US\$'000 (Restated – Note 2)	31 December 2019 US\$'000 (Restated – Note 2)
	Notes			
<b>Non-current assets</b>				
Property, plant, equipment and mine development	4	135,099	114,473	105,224
Exploration assets	5	44,631	44,348	40,192
Right-of-use asset	6	7	45	37
Other financial assets	7	1,357	1,477	1,534
		<b>181,094</b>	<b>160,343</b>	<b>146,987</b>
<b>Current assets</b>				
Inventories	8	1,025	821	875
Trade and other receivables	9	1,511	1,611	329
Derivative asset	10	-	8,586	-
Restricted cash	11	4,858	7,355	-
Cash and cash equivalents	12	2,461	11,572	15,530
		<b>9,855</b>	<b>29,945</b>	<b>16,734</b>
<b>TOTAL ASSETS</b>		<b>190,949</b>	<b>190,288</b>	<b>163,721</b>
<b>Current liabilities</b>				
Trade and other payables	19	3,543	4,780	1,536
Lease liabilities	16	7	42	19
Other financial liabilities	17	4,295	2,500	29,982
Current taxation	27	-	-	174
Other tax liabilities		-	-	451
		<b>7,845</b>	<b>7,322</b>	<b>32,162</b>
<b>Non-current liabilities</b>				
Shareholder loans and derivative	15	25,043	15,703	14,701
Lease liabilities	16	-	6	21
Other financial liabilities	17	26,291	28,113	-
Provisions	18	4,033	4,311	3,702
		<b>55,367</b>	<b>48,133</b>	<b>18,424</b>
<b>TOTAL LIABILITIES</b>		<b>63,212</b>	<b>55,455</b>	<b>50,586</b>
<b>NET ASSETS</b>		<b>127,737</b>	<b>134,833</b>	<b>113,135</b>

**Consolidated Statement of Financial Position**  
**As at 31 December 2021 (continued)**

		<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000 (Restated – Note 2)</b>	<b>31 December 2019 US\$'000 (Restated – Note 2)</b>
<b>Shareholders' equity</b>				
Share capital	13	<b>1,194</b>	706	363
Share premium	13 / 14	<b>193,524</b>	168,212	147,339
Merger reserve	13 / 14	<b>(20,523)</b>	(20,523)	(20,523)
Foreign exchange translation reserve	14	<b>(7,807)</b>	2,334	53
Share-based payment reserve	14	<b>1,197</b>	385	167
Accumulated losses		<b>(45,626)</b>	(22,010)	(18,655)
Total equity attributable to the owners of the Company		<b>121,959</b>	<b>129,104</b>	<b>108,744</b>
Non-controlling interests	34	<b>5,778</b>	5,729	4,391
		<b>127,737</b>	<b>134,833</b>	<b>113,135</b>

The notes form an integral part of these Consolidated Financial Statements. The Financial Statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Mark Summers**  
**Chief Executive Officer**  
28 June 2022

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2021**

		Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
	Notes		
Revenue		-	-
Other income		172	29
Operating expenses	23	(6,503)	(5,912)
<b>Operating loss</b>		<b>(6,331)</b>	<b>(5,883)</b>
Finance income	22	480	1,244
Finance expense	25	(7,391)	(5,914)
Fair value (loss) / gains from derivative asset / liability	31	(4,792)	8,586
Loss on disposal of subsidiary	26	(224)	-
<b>Loss before taxation</b>		<b>(18,258)</b>	<b>(1,967)</b>
Taxation	27	-	36
<b>Loss after taxation</b>		<b>(18,258)</b>	<b>(1,931)</b>
<b>(Loss) / profit attributable to:</b>			
Owners of the Company		(13,787)	1,531
Non-controlling interests		(4,471)	(3,462)
		<b>(18,258)</b>	<b>(1,931)</b>
<b>Loss for the year</b>		<b>(18,258)</b>	<b>(1,931)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
• Exchange differences on translation of parent company financial statements from functional to presentation currency		(643)	1,922
• Exchange differences on translating foreign operations		(10,541)	273
<b>Total comprehensive (loss) / income</b>		<b>(29,442)</b>	<b>264</b>
Attributable to:			
Owners of the Company		(23,928)	3,812
Non-controlling interests		(5,514)	(3,548)
		<b>(29,442)</b>	<b>264</b>
<b>(Loss) / profit per share attributable to owners of the Company:</b>			
Basic (US cents)	28	(1.80)	0.40
Diluted (US cents)	28	(1.80)	0.39

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2021**

	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
<b>Balance at 1 January 2020, as previously reported</b>	<b>363</b>	<b>147,339</b>	<b>(20,523)</b>	<b>53</b>	<b>167</b>	<b>(12,536)</b>	<b>114,863</b>	<b>(1,728)</b>	<b>113,135</b>
Prior year adjustment	-	-	-	-	-	(6,119)	(6,119)	6,119	-
<b>As restated</b>	<b>363</b>	<b>147,339</b>	<b>(20,523)</b>	<b>53</b>	<b>167</b>	<b>(18,655)</b>	<b>108,744</b>	<b>4,391</b>	<b>113,135</b>
Total comprehensive profit / (loss) for the year	-	-	-	2,281	-	1,531	3,812	(3,548)	264
Issue of shares	343	21,173	-	-	-	-	21,516	-	21,516
Cost of issuing shares	-	(320)	-	-	-	-	(320)	-	(320)
Issue of warrants	-	(10)	-	-	10	-	-	-	-
Lapsed warrants	-	30	-	-	(30)	-	-	-	-
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(4,886)	(4,886)	4,886	-
Share based payment charges	-	-	-	-	238	-	238	-	238
<b>Transactions with owners</b>	<b>343</b>	<b>20,873</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>(4,886)</b>	<b>16,548</b>	<b>4,886</b>	<b>21,434</b>
<b>Balance at 31 December 2020 as restated</b>	<b>706</b>	<b>168,212</b>	<b>(20,523)</b>	<b>2,334</b>	<b>385</b>	<b>(22,010)</b>	<b>129,104</b>	<b>5,729</b>	<b>134,833</b>
Total comprehensive loss for the year	-	-	-	(10,141)	-	(13,787)	(23,928)	(5,514)	(29,442)
Issue of shares	488	25,312	-	-	-	-	25,800	-	25,800
Disposal of subsidiary	-	-	-	-	-	-	-	181	181
Extinguishment of derivative asset upon equity draw down	-	-	-	-	-	(4,447)	(4,447)	-	(4,447)
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(5,382)	(5,382)	5,382	-
Share based payment charges	-	-	-	-	812	-	812	-	812
<b>Transactions with owners</b>	<b>488</b>	<b>25,312</b>	<b>-</b>	<b>-</b>	<b>812</b>	<b>(9,829)</b>	<b>16,783</b>	<b>5,563</b>	<b>22,346</b>
<b>Balance at 31 December 2021</b>	<b>1,194</b>	<b>193,524</b>	<b>(20,523)</b>	<b>(7,807)</b>	<b>1,197</b>	<b>(45,626)</b>	<b>121,959</b>	<b>5,778</b>	<b>127,737</b>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2021**

	Notes	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000 (Restated – Note 2)
<b>Cash flows from operating activities</b>			
Loss before taxation		(18,258)	(1,967)
Adjustments for:			
Depreciation of property, plant and equipment	4	904	780
Amortisation of right-of-use assets	6	39	51
Share-based payment charge	13	812	238
Finance income	22	(480)	(1,244)
Finance costs	25	3,267	2,948
Fair value (loss) / gain on derivative asset / liability	31	4,792	(8,586)
Debt modification loss	17	-	1,109
Debt modification present value adjustment	25	(258)	(119)
Foreign currency exchange differences		4,382	1,858
Fair value loss on game animals	4	(51)	18
<b>Operating cash flows before working capital changes</b>		<b>(4,851)</b>	<b>(4,914)</b>
Decrease / (increase) in trade and other receivables	29	256	(1,278)
(Increase) / decrease in inventories	29	(291)	17
Increase in trade and other payables	29	3,178	28
Decrease in other tax liabilities		-	(388)
		<b>(1,708)</b>	<b>(6,535)</b>
Income taxes paid		-	(128)
<b>Net cash flows used in operating activities</b>		<b>(1,708)</b>	<b>(6,663)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(38,553)	(10,927)
Exploration and evaluation expenditure	5	(3,931)	(257)
Disposal of subsidiary	26	5	-
Finance income received	22	480	1,244
Transfer from / (to) restricted cash	11	2,497	(7,355)
<b>Net cash flows used in investing activities</b>		<b>(39,502)</b>	<b>(17,295)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid	25	(2,028)	(2,079)
Shareholder loan received	15	8,037	411
Repayment of lease liabilities	16	(39)	(53)
Other financial liabilities	29	54	(464)
Issue of ordinary share capital	13	25,800	21,516
Costs of share issues	13	-	(320)
<b>Net cash flows from financing activities</b>		<b>31,824</b>	<b>19,011</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(9,386)</b>	<b>(4,947)</b>
Cash and cash equivalents at beginning of the year		11,572	15,530
Foreign currency exchange gains / (losses) on cash		275	989
<b>Cash and cash equivalents at end of the year</b>		<b>2,461</b>	<b>11,572</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021

### (1) General information

Kropz is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa and a phosphate project in the Republic of Congo ("RoC"). The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company was incorporated on 10 January 2018 and is a public limited company, with its ordinary shares admitted to the AIM Market of the London Stock Exchange on 30 November 2018 trading under the symbol, "KRPZ". The Company is domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 35 Verulam Road, Hitchin, SG5 1QE. The registered number of the Company is 11143400.

The Group holds interests in two projects - in South Africa and the RoC.

### (2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

#### (a) Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for any financial assets, financial liabilities and game animals which are stated at fair value through profit or loss. The Consolidated Financial Statements are presented in United States Dollars, the presentation currency of the Company and figures have been rounded to the nearest thousand.

#### *Going concern*

During the year ended 31 December 2021, the Group incurred a loss of US\$ 18.3 million (2020: US\$ 1.9 million) and experienced net cash outflows from operating activities. Cash and cash equivalents totalled US\$ 2.5 million as at 31 December 2021 (2020: US\$ 11.6 million) and US\$ 4.9 million (2020: US\$ 7.4 million) was restricted in terms of the amended facility agreement between Kropz Elandsfontein and BNP. ZAR 77 million (approximately US\$ 4.9 million) was locked up by BNP in the accounts of Kropz Elandsfontein in terms of the BNP amended facility agreement at 31 December 2021. On 10 January 2022, BNP released the restricted funding of ZAR 77 million.

Apart from forecast first revenue from Elandsfontein, the Group has no current source of operating revenue and is therefore dependent on both existing cash resources and facilities and future fund raisings to meet overheads and future exploration requirements as they fall due.

In September 2021, Kropz secured the New ZAR Equity Facility of up to ZAR 200 million from ARC, to be used exclusively for the purposes of bringing the Elandsfontein project to first revenues. On 26 October 2021, Kropz received a draw down on the New ZAR Equity Facility of ZAR 90 million and a further ZAR 37 million on 10 December 2021. Two further draw downs were made in 2022, one on 25 March 2022 for ZAR 40 million and ZAR 33 million on 26 April 2022. The New ZAR Equity Facility is fully drawn at the date of this report.

In April 2022, ARC agreed to provide a ZAR 25 million (approximately US\$ 1.6 million) bridge loan facility (the "Loan") to Kropz Elandsfontein (Pty) Ltd to meet its immediate cash requirements. The Loan was unsecured, repayable on demand, and there were no fixed repayment terms. It is repayable by Kropz on no less than two business days' notice. Interest is payable on the Loan at 14% nominal, compounded monthly. The Loan was drawn down on 28 April 2022.

In May 2022, Kropz secured a Further ZAR Equity Facility of up to ZAR 177 million from ARC. The ZAR 177 Million Equity Facility can be drawn down following a written request from Kropz plc and at the discretion of ARC. The principal drawn amount may, at the discretion of ARC, at any time be converted to ordinary shares, or alternatively be repaid in cash at the end of the term of the ZAR 177 Million Equity Facility which is 27 October 2026. The ZAR 177 Million Equity Facility is to be used exclusively for the purposes of bringing the Elandsfontein project to first revenues, given a slower ramp-up in operations than originally envisaged. The delay in ramp-up was largely driven by the need to re-engineer parts of the fine flotation circuit proposed by the vendor, but has also been affected by early unpredicted ore variability and lack of operator experience. Since the announcement, the vendor has provided design changes which were implemented at the plant, additional operator training was conducted and is ongoing and a mobile crusher ordered in the interim to facilitate the crushing of the affected ore to an appropriate size fraction until further test work has been conducted for a permanent solution. Several alternatives to deal with the indurated material in the pit are being investigated, and new equipment has arrived on site to improve the mining efficiency and facilitate adequate feed to the plant.

First drawdown of the ZAR 177 Million Equity Facility of ZAR 103.5 million was made on 2 June 2022. The Loan of ZAR 25 million was set off against the first draw down and the net amount of ZAR 78.5 million received by the Company.

During 2021, due to second/third waves of the COVID-19 pandemic and cases diagnosed with new variants of the virus, some jurisdictions reimposed lockdowns and movement restrictions. Further waves are expected in 2022. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its employees, consultants and contractors, and their families, in the face of the COVID outbreak. The timing and extent of the impact and recovery from COVID is unknown but it may affect planned activities.

On 24 February 2022, Russian troops started invading Ukraine. The war in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and exacerbate the effects of current market conditions. Phosphate markets are currently in turmoil, largely due to the sanctions imposed on Russia. Russia is a significant supplier of fertiliser feed products and associated sanctions increased the prices of phosphate products significantly as producers that relied on Russian sources scrambled to secure alternative sources of amongst others, low cadmium phosphate rock. Kropz does not have Russian entities in its supply chain nor customers and will benefit from higher phosphate prices.

Current budgeted estimates are based on first bulk concentrate sales from Kropz Elandsfontein of approximately ZAR 50 million in July 2022, at an average of ZAR 159 million per month for the 18-month period ended 31 December 2023. Should first bulk concentrate sales not occur in July 2022, a

funding shortfall would arise in Kropz Elandsfontein at the end of July 2022 of approximately ZAR 50 million.

Failure to produce adequate quantities of phosphate rock concentrate to fulfil these first bulk sales in the projected time frame, could negatively impact production ramp-up and cash generation and create an additional funding requirement. The average operating costs over the 18-month forecast period for Kropz Elandsfontein is estimated at approximately ZAR 130 million per month. This will have a further knock-on effect on Kropz Plc as its cashflows are dependent on concentrate revenues being achieved by Kropz Elandsfontein.

Additionally, at the date of these financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause delays that would require additional funding through the raising of debt or equity.

The Directors have reviewed the Group's overall cash position, debt repayments and outlook, for a period of eighteen months following the date of signature of this Annual Report and have considered sensitivities around pricing, volume and timing of production and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. Key contracts associated with operational readiness and commencement of production activities at Elandsfontein are finalised, except for Transnet. Negotiations with Transnet were finalised in December 2021 and final signature of the Transnet contract is expected prior to the shipment of first concentrate sales.

Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available if needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

#### *Functional and presentational currencies*

The Consolidated Financial Statements are presented in US Dollars.

The functional currency of Kropz plc is Pounds Sterling and its presentation currency is US Dollars, due to the fact that US Dollars is the recognised reporting currency for most listed mining resource companies on AIM.

The functional currency of Kropz SA and its subsidiaries (as shown below) is South African Rand, being the currency in which the majority of the companies' transactions are denominated.

The functional currencies of Cominco Resources and its subsidiaries are Euros, Pounds Sterling and Central African Francs being the currency in which the majority of the companies' transactions are denominated. Its presentation currency is US Dollars.

The functional and presentation currency of First Gear was US Dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction.

At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when 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 arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to satisfy the requirements of IAS 21 with respect to presentation currency, the consolidated financial statements have been translated into US Dollars using the procedures outlined below:

- Assets and liabilities where the functional currency is other than US Dollars were translated into US Dollars at the relevant closing rates of exchange;
- Non-US Dollar trading results were translated into US Dollars at the relevant average rates of exchange;
- Differences arising from the retranslation of the opening net assets and the results for the period have been taken to the foreign currency translation reserve; and
- Share capital has been translated at the historical rates prevailing at the dates of transactions; and
- Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

#### *Changes in accounting policies*

##### *(i) New standards, interpretations and amendments adopted from 1 January 2021*

Two new standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2021:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16); and
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16).

The Group has considered the above new standards and amendments and has concluded that, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

##### *(ii) New standards, interpretations and amendments not yet effective*

At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. Management are currently assessing the impact of these new standards on the Group. The Group does not believe that the amendments will have a significant impact, with the exception of IAS 16 which will be relevant once the Group generates sales in 2022, which impact is currently being analysed by management.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

#### *Prior year adjustments*

##### *(i) Restatement of prior year statement of cash flows*

The Group has restated certain prior year comparatives to correctly present amounts in the Group financial statements for the year ended 31 December 2021.

The prior year cash flow incorrectly included non-cash movements related to interest accrued, non-cash movements in provisions and the non-cash debt modification loss, together with misclassification of trade payables directly associated with capitalised cost to property, plant and equipment in calculating the actual cash flow for certain line items.

Accordingly the prior year statement of cash flows and note 29 have been restated to correct these errors. The restatement had no impact on the statement of comprehensive income, the statement of financial position or the statement of changes in equity.

#### **Impact on adjustment on the consolidated statement of cash flows**

	Year ended 31 December 2020 US\$'000 (As previously stated)	Prior year adjustment US\$'000	Year ended 31 December 2020 US\$'000 (As re- stated)
<b>Cash flows from operating activities</b>			
Foreign currency exchange differences	261	1,597	1,858
Increase / (decrease) in provisions	765	(765)	-
Increase in trade and other payables	3,356	(3,328)	28
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	(14,589)	3,662	(10,927)
<b>Cash flows from financing activities</b>			
Finance costs paid	(2,948)	869	(2,079)
Shareholder loan received	1,624	(1,213)	411
Other financial liabilities	1,935	(2,399)	(464)
Foreign currency exchange (losses) / gains on cash	(588)	1,577	989

(ii) *Restatement of prior year non-controlling interest*

Previously the preference share investment by Kropz plc in Kropz Elandsfontein was incorrectly recorded as inter-company liability measured at the total amount paid for the investment and eliminated on consolidation with no resulting impact on non-controlling interest. The group has identified that the instrument should have been measured at fair value with a residual equity element in Kropz Elandsfontein for the amounts paid in excess of their value. Accordingly the restatement reflects the benefit accruing to the non-controlling interests arising from their proportionate share of the portion of the preference share investment treated as equity. This increases the net assets of Kropz Elandsfontein and therefore gives rise to a consequential impact on non-controlling interest.

**Impact on adjustment on the consolidated statement of changes in equity**

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Increase in non-controlling interest	4,886	1,370	4,749
Decrease in retained earnings	(4,886)	(1,370)	(4,749)
Effect on total equity	-	-	-

**(b) Basis of consolidation**

The Consolidated Financial Statements comprise the financial statements of the subsidiaries listed in Note 3.

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b) Exposure, or rights, to variable returns from its involvement with the investee; and
- c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

#### **Accounting for asset acquisition within a corporate structure**

Acquisitions of mineral assets through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration.

#### **Non-controlling interests**

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. The benefit accruing to the non-controlling interests arising from their proportionate share of the portion of the non-redeemable and non-participating preference share investment by Kropz plc into Kropz Elandsfontein is attributed to the non-controlling interests in proportion to their relative ownership interests.

#### **Merger relief**

The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve. In the case of the Company's acquisition of Cominco Resources, where shares were acquired on a share for share basis, then merger relief has been applied to those shares issued in exchange for shares in Cominco Resources.

### **(c) Property, plant, equipment and mine development**

Property, plant, equipment and mine development includes buildings and infrastructure, machinery, plant and equipment, site preparation and development and essential spare parts that are held to minimise delays arising from plant breakdowns, that are expected to be used during more than one period.

Assets that are in the process of being constructed are measured at cost less accumulated impairment and are not depreciated. All other classes of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Land is depreciated over the life of the mine.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including:

- The estimated costs of decommissioning the assets and site rehabilitation costs to the extent that they related to the asset;
- Capitalised borrowing costs;
- Capitalised pre-production expenditure; and
- Topsoil and overburden stripping costs.

The cost of items of property, plant and equipment are capitalised into its various components where the useful life of the components differs from the main item of property, plant and equipment to which the component can be logically assigned. Expenditure incurred to replace a significant component of

property, plant and equipment is capitalised and any remaining carrying value of the component replaced is written off as an expense in the income statement.

Direct costs incurred on major projects during the period of development or construction are capitalised. Subsequent expenditure on property, plant and equipment is capitalised only when the expenditure enhances the value or output of the asset beyond original expectations, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs incurred on repairing and maintaining assets are recognised in the income statement in the period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### **Depreciation**

All items of property, plant and equipment are depreciated on either a straight-line method or unit of production method at cost less estimated residual values over their useful lives as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
<b>Buildings and infrastructure</b>		
Buildings	Units of production	Life of mine*
Roads	Straight-line	15 years
Electrical sub-station	Straight-line	15 years
<b>Machinery, Plant and Equipment</b>		
Fixed plant and equipment	Units of production	Life of mine*
Water treatment plant	Units of production	Life of mine*
Critical spare parts	Straight-line	2-15 years
Furniture and fittings	Straight-line	6 years
Motor vehicles	Straight-line	5 years
Computer equipment	Straight-line	3 years
<b>Mineral exploration site preparation</b>	Units of production	Life of mine*
<b>Stripping activity</b>	Units of production	Life of identified ore*

\* Depreciation of mining assets is computed principally by the units-of-production method over life-of-identified ore based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

### **Useful lives and residual values**

The asset's useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

### **Stripping activity asset**

The costs of stripping activity which provides a benefit in the form of improved access to ore is capitalised as a non-current asset until ore is exposed where the following criteria are met:

- it is probable that future economic benefit in the form of improved access to the ore body will flow to the entity;
- the component of the ore body for which access has been improved can be identified; and
- the cost of the stripping activity can be reliably measured.

The stripping activity is initially measured at cost and subsequently carried at cost less depreciation and impairment losses.

**(d) Mineral exploration and evaluation costs**

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Following the granting of a prospecting right, general administration and overhead costs directly attributable to exploration and evaluation activities are expensed and all other costs are capitalised and recorded at cost on initial recognition.

The following expenditures are included in the initial and subsequent measurement of the exploration and evaluation assets:

- Acquisition of rights to explore;
- Topographical, geological, geochemical or geographical studies;
- Exploratory drilling;
- Trenching;
- Sampling;
- Activities in relation to the evaluation of both the technical feasibility and the commercial viability of extracting minerals;
- Exploration staff related costs; and
- Equipment and infrastructure.

Exploration and evaluation costs that have been capitalised are classified as either tangible or intangible according to the nature of the assets acquired and this classification is consistently applied.

If commercial reserves are developed, the related deferred exploration and evaluation costs are then reclassified as development and production assets within property, plant and equipment.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment in accordance with IFRS 6.

**(e) Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

**Identifying Leases**

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

The discount rate is the rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used which the Company has assessed to be 5.22%, being an average LIBOR plus 3%, being an appropriate level of risk to the risk-free rate of borrowing.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

**(f) Game animals**

Game animals are wild animals that occur on the farm properties owned by the Group. The animals are owned by Elandsfontein Land Holdings and held within the approximately 5,000 hectares of farmland owned by Elandsfontein Land Holdings. The property is appropriately fenced with game specific fencing. These animals are managed in terms of a game management plan and excess animals are either sold as live animals or harvested as and when required based on estimated stocking levels and vegetation conditions. Law in South Africa specifies that wild animals are the property of the owner of the land that they occupy.

Game animals are measured at their fair value less estimated point-of-sale costs, fair value being determined upon the age and size of the animals and relevant market prices. Market price is determined on the basis that the animal is either to be sold to be slaughtered or realised through sale to customers at fair market value.

Fair market value of game animals is determined by using average live game animal selling prices achieved at live game animal auctions during the relevant year and published from time to time on game animal auctioneering websites.

**(g) Financial instruments**

***Classification and measurement***

The Group classifies its financial instruments into the following categories:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through profit and loss;
- Financial liabilities measured at amortised cost; and
- Derivative financial instruments are accounted for at fair value through profit and loss.

Classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

***Financial assets held at amortised cost***

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the "solely payments of principal and interest" ("SPPI") criteria.

At initial recognition, trade and other receivables that do not have a significant financing component are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs. They are subsequently measured at amortised cost using the effective

interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

#### ***Financial assets and liabilities held at fair value through profit or loss***

Financial assets and liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Assets and liabilities in this category are classified as current if they are expected to be settled within twelve months, otherwise they are classified as non-current.

Call options in the Company's own equity are recorded at fair value and change in fair value recorded through income statement.

Undrawn facilities with a conversion option, for which the terms give rise to a derivative, are revalued for changes in the share price prior to draw down with a resulting loss for revaluation booked to Profit and Loss and the remaining receivable extinguished through equity based on the relative draw down percentage of undrawn facilities at each reporting period.

#### ***Impairment of financial assets***

A forward-looking expected credit loss ("ECL") review is required for debt instruments measured at amortised cost or held at fair value through other comprehensive income, financial guarantees not measured at fair value through profit or loss and other receivables that give rise to an unconditional right to consideration.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade receivables, contract assets and lease receivables and the "general approach" to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates.

#### ***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 changes in value. These are classified as financial assets at amortised cost.

#### ***Trade and other payables***

Trade and other payables are classified as financial liabilities at amortised cost.

#### ***Interest bearing borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## **Modification of debt instruments**

When the contractual terms of a financial liability are substantially modified, it is accounted for as an extinguishment of the original debt instrument and the recognition of a new financial liability. The new debt instrument is recorded at fair value and any difference from the carrying amount of the extinguished liability, including any non-cash consideration transferred, is recorded in profit or loss. Any costs or fees incurred are generally included in profit or loss, too.

If a modification to the terms of a financial liability is not substantial, then the amortised cost of the liability is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over its term. The periodic re-estimation of cash flows to reflect movements in market rates of interest will change the effective interest rate of a floating-rate financial liability.

To determine whether a modification of terms is substantial, the Company performs a quantitative assessment. If the difference in the present values of the cash flows is less than 10 percent, then the Company performs a qualitative assessment to identify substantial differences in terms that by their nature are not captured by the quantitative assessment. Performing a qualitative assessment may require a high degree of judgement based on the facts and circumstances.

## **(h) Taxation**

### ***Current tax assets and liabilities***

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

### ***Deferred tax assets and liabilities***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit and differences relating to investments in subsidiaries to the extent they are controlled and probably will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### ***Tax expense***

Tax expense is recognised in the same component of total comprehensive income (i.e. continuing operations, discontinued operations, or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

#### **(i) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss, of assets carried at cost less any accumulated depreciation or amortisation, is recognised immediately in profit or loss.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### **(j) Inventories**

Inventories are measured at the lower of cost and net realisable value.

Plant spares and consumables stores are capitalised to the balance sheet and expensed to the income statement as they are utilised.

Spares and consumables are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Obsolete, redundant and slow-moving items of spares and consumables are identified on a regular basis and written down to their net realisable value.

Inventories are included in current assets, unless the inventory will not be used within 12 months after the end of the reporting period.

**(k) Provisions and contingencies**

***Environmental rehabilitation***

The provision for environmental rehabilitation is recognised as and when an obligation to incur rehabilitation and mine closure costs arises from environmental disturbance caused by the development or ongoing production of a mining property. Estimated long-term environmental rehabilitation provisions are measured based on the Group's environmental policy taking into account current technological, environmental and regulatory requirements. Any subsequent changes to the carrying amount of the provision resulting from changes to the assumptions as to the timing of the rehabilitation applied in estimating the obligation are recognised in property, plant and equipment.

The provisions are based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date, using the risk-free rate and the risk adjusted cash flows that reflect current market assessments and the risks specific to the provisions. Increases due to the additional environmental disturbances are capitalised and amortised over the remaining life of the mine.

***Decommissioning provision***

The estimated present value of costs relating to the future decommissioning of plant or other site preparation work, taking into account current environmental and regulatory requirements, is capitalised as part of property, plant and equipment, to the extent that it relates to the construction of an asset, and the related provisions are raised in the statement of financial position, as soon as the obligation to incur such costs arises.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from the subsequent changes in the timing of costs and the risk-free rate, are added to, or deducted from, the cost of the related asset in the current period. Other changes are charged to profit or loss. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on impairment of non-financial assets above.

**(l) Share capital and equity**

Ordinary shares are classified as equity and are recorded at the proceeds received net of issue costs.

**(m) Convertible debt**

The proceeds received on issue of the Group's convertible debt which fail the fixed-for-fixed criterion under IFRS are allocated into their liability and derivative liability components. The derivative liability is measured at fair value with subsequent changes recognised in profit or loss. The debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt.

**(n) Borrowing costs**

Interest on borrowings directly related to the financing of qualifying capital projects under development is added to the capitalised cost of those projects during the development phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance the project, the amount capitalised represents the actual borrowing

costs incurred. Where the funds used to finance a project forming part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Qualifying assets are assets that necessarily take a substantial period of time (more than 12 months) to get ready for their intended use or sale. Borrowing costs are added to the cost of these assets, until the assets are substantially ready for their intended use or sale.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

**(o) Employee benefits**

The cost of short-term employee benefits, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

**(p) Intangible assets**

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

**(q) Finance income**

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

**(r) Share-based payment arrangements**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Group obtains the goods or counterparty renders the service.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Where there are no vesting conditions, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the Directors' Report and Note 13 to the Consolidated Financial Statements.

**(s) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

*(i) Control over the activities of First Gear*

The acquisition of First Gear by the Company was accounted for on the basis of the Company having control with effect from acquisition and holding 50% plus one share. Management considered that it controlled First Gear as this holding gave the Company control over its strategic, operational and financing decisions.

*(ii) Exploration and evaluation assets (Note 5)*

The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off in the net profit or loss in the period when the new information becomes available. In situations where indicators of impairment are present for the Group's exploration and evaluation, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell.

*(iii) Functional currency*

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic environment each entity operates in. The Group first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency, the Group also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. See Note 32 for sensitivity analysis of foreign exchange risk.

*(iv) Decommissioning and rehabilitation provisions (Note 18)*

Quantifying the future costs of these obligations is complex and requires various estimates and judgements to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the Department of Mineral Resources, have been used to estimate future rehabilitation costs.

(v) *Other financial assets*

The Group has given guarantees to a number of third parties as described in Note 7 and lodged funds as security.

The amounts are recoverable subject to satisfactory performance of certain conditions which requires judgement as to the likelihood of the return of such guarantees. At the balance sheet date the Directors make judgements on the amounts expected to be returned and consider that all amounts are recoverable.

(vi) *Taxation*

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Management's judgement is that due to the mine not being at steady state production it is premature to recognise a deferred tax asset for the accumulated tax losses.

(vii) *Fair value of financial instruments*

The judgements and estimates made by the Group in determining the fair values of the financial instruments are described in Note 10, 15 and 31 to the Consolidated Financial Statements.

*Impairment indicator assessment*

The Group reviews and tests the carrying value of assets when events or changes in circumstances ("impairment indicators") suggest that the carrying amount may not be recoverable. At 31 December 2021 an impairment indicator assessment was performed and no impairment indicators were considered to exist. As part of the impairment indicator assessment, management evaluate the life of mine plan discounted cash flow model. These calculations require the use of estimates and assumptions. The key estimates made include discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock, mine production levels and foreign currency exchange rates.

**(t) Key sources of estimation uncertainty**

*Property, plant and equipment*

The depreciable amount of property, plant and equipment is allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions with regard to the residual value of assets based on the expected estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful lives of property, plant and equipment that is depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

This estimate is further impacted by management's best estimation of proved and probable phosphate ore reserves and the expected future life of each of the mines within the Group. The forecast production could be different from the actual phosphate mined. This would generally result from significant changes in the factors or assumptions used in estimating phosphate reserves. These factors include:

- changes in proved and probable ore reserves;
- differences between achieved ore prices and assumptions;
- adverse movements in foreign exchange;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing, reclamation and logistics costs, discount rates and foreign exchange rates.

Any change in management's estimate of the useful lives and residual values of assets would impact the depreciation charge. Any change in management's estimate of the total expected future life of each of the mines would impact the depreciation charge as well as the estimated rehabilitation and decommissioning provisions.

#### *Life of mine*

Life of mine is defined as the remaining years of production, based on proposed production rates and ore reserves and will be assessed as soon as additional exploration drilling has been performed and further reserves proven based on additional test results.

#### *Fair value of derivative instruments*

Information about the specific techniques, assumptions and inputs is disclosed in Note 10, 15 and 31 to the Consolidated Financial Statements. The key estimates associated with the fair value of the derivative liability include volatility and the assumptions regarding conversion timing.

## Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2021, are as follows:

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Company
Kropz SA (Pty) Limited	South Africa	Unit 213, The Hills Buchanan Square 160 Sir Lowry Road	Intermediate holding company	100%
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Woodstock Cape Town 8001	Property owner	70% *
Kropz Elandsfontein (Pty) Ltd	South Africa	South Africa	Phosphate exploration and mining	74% **
West Coast Fertilisers (Pty) Ltd	South Africa		Phosphoric acid production	70%
Xsando (Pty) Ltd	South Africa		Sand sales	70%
Cominco Resources Limited	BVI	Woodbourne Hall, PO Box 3162, Road Town, Tortola, British Virgin Islands	Intermediate holding company	100%
Cominco S.A.	RoC		Development	100% ***
Cominco Resources (UK) Ltd	England and Wales		Service company	100% ***

\* 46.67% held indirectly

\*\* 38.18% held indirectly

\*\*\* held indirectly

The accounting reference date of each of the subsidiaries is coterminous with that of the Company.

**(4) Tangible assets – Property, plant, equipment and mine development**

	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>	<b>31 Dec 2020</b>	<b>31 Dec 2020</b>
	<b>Cost US\$'000</b>	<b>Accumulated Depreciation US\$'000</b>	<b>Carrying value US\$'000</b>	<b>Cost US\$'000</b>	<b>Accumulated Depreciation US\$'000</b>	<b>Carrying value US\$'000</b>
<b>Buildings and infrastructure</b>						
Land	1,515	-	1,515	2,067	-	2,067
Buildings	10,514	(56)	10,458	11,003	(12)	10,991
Capitalised road costs	8,121	(2,978)	5,143	8,824	(2,647)	6,177
Capitalised electrical sub-station costs	3,523	(1,213)	2,310	3,828	(1,063)	2,765
<b>Machinery, plant and equipment</b>						
Critical spare parts	1,713	-	1,713	1,285	-	1,285
Plant and machinery	86,243	(63)	86,180	66,683	(74)	66,609
Water treatment plant	2,435	-	2,435	1,129	-	1,129
Furniture and fittings	49	(40)	9	44	(41)	3
Geological equipment	65	(45)	20	47	(47)	-
Office equipment	32	(21)	11	35	(17)	18
Other fixed assets	1	(1)	-	1	(1)	-
Motor vehicles	100	(100)	-	128	(128)	-
Computer equipment	65	(41)	24	47	(42)	5
<b>Mine development</b>	<b>18,938</b>	<b>-</b>	<b>18,938</b>	<b>20,046</b>	<b>-</b>	<b>20,046</b>
<b>Stripping activity costs</b>	<b>6,126</b>	<b>-</b>	<b>6,126</b>	<b>3,193</b>	<b>-</b>	<b>3,193</b>
<b>Game animals</b>	<b>217</b>	<b>-</b>	<b>217</b>	<b>185</b>	<b>-</b>	<b>185</b>
<b>Total</b>	<b>139,657</b>	<b>(4,558)</b>	<b>135,099</b>	<b>118,545</b>	<b>(4,072)</b>	<b>114,473</b>

**Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2021**

	Opening Balance US\$'000	Additions US\$'000	Fair value gain US\$'000	Depreciation charge US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
<b>Buildings and infrastructure</b>						
Land	2,067	-	-	-	(552)	1,515
Buildings	10,991	-	-	(49)	(484)	10,458
Capitalised road costs	6,177	-	-	(583)	(451)	5,143
Capitalised electrical sub-station costs	2,765	-	-	(253)	(202)	2,310
<b>Machinery, plant and equipment</b>						
Critical spare parts	1,285	571	-	-	(143)	1,713
Plant and machinery	66,609	29,578	-	(4)	(10,003)	86,180
Water treatment plant	1,129	1,503	-	-	(197)	2,435
Furniture and fittings	3	10	-	(2)	(2)	9
Geological equipment	-	24	-	(2)	(2)	20
Office equipment	18	-	-	(6)	(1)	11
Other fixed assets	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Computer equipment	5	24	-	(5)	-	24
<b>Mine development</b>	20,046	528	-	-	(1,636)	18,938
<b>Stripping activity costs</b>	3,193	3,433	-	-	(500)	6,126
<b>Game animals</b>	185	-	51	-	(19)	217
<b>Total</b>	<b>114,473</b>	<b>35,671</b>	<b>51</b>	<b>(904)</b>	<b>(14,192)</b>	<b>135,099</b>

**Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2020**

	Opening Balance US\$'000	Additions US\$'000	Fair value loss US\$'000	Depreciation charge US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
<b>Buildings and infrastructure</b>						
Land	2,159	-	-	-	(92)	<b>2,067</b>
Buildings	11,480	-	-	(2)	(487)	<b>10,991</b>
Capitalised road costs	7,064	-	-	(529)	(358)	<b>6,177</b>
Capitalised electrical sub-station costs	3,154	-	-	(230)	(159)	<b>2,765</b>
<b>Machinery, plant and equipment</b>						
Critical spare parts	1,213	123	-	-	(51)	<b>1,285</b>
Plant and machinery	56,284	12,712	-	(5)	(2,382)	<b>66,609</b>
Water treatment plant	-	1,129	-	-	-	<b>1,129</b>
Furniture and fittings	3	1	-	(1)	-	<b>3</b>
Geological equipment	-	-	-	-	-	-
Office equipment	24	1	-	(5)	(2)	<b>18</b>
Other fixed assets	-	-	-	-	-	-
Motor vehicles	6	-	-	(5)	(1)	-
Computer equipment	5	4	-	(3)	(1)	<b>5</b>
<b>Mine development</b>	<b>20,354</b>	<b>553</b>	<b>-</b>	<b>-</b>	<b>(861)</b>	<b>20,046</b>
<b>Stripping activity costs</b>	<b>3,265</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>3,193</b>
<b>Game animals</b>	<b>213</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>(10)</b>	<b>185</b>
<b>Total</b>	<b>105,224</b>	<b>14,589</b>	<b>(18)</b>	<b>(780)</b>	<b>(4,542)</b>	<b>114,473</b>

**Game animals**

Game animal assets are carried at fair value. The different levels are defined as follows:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access as measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements – Level 3.

## Impairment

The Elandsfontein mine is currently under development. The Directors have therefore carried out a review of impairment indicators. As part of the impairment indicator assessment, the net present value of the life of mine plan is considered. The life of the mine is most sensitive to the following key estimates and assumptions:

- Discount rate;
- Phosphate rock prices;
- Phosphate recoveries;
- Foreign exchange rates; and
- Operating costs.

Economical recoverable resources represent management's expectations at the time of completing the assessment of the carrying value of property, plant, equipment and mine development and are based on the resource statements and exploration and evaluation work undertaken by appropriately qualified persons, forecast phosphate prices which are obtained from independent external commissioned experts and a forecast South African rand exchange rate which is aligned with forward market rates. Based on the assumptions the recoverable amount of assets significantly exceeds its carrying amount and no impairment indicators were identified.

## Sensitivity Analysis

The following table summarises the potential impact of changes in the key estimates and assumptions (assessed independently of each other):

		Headroom (%)
Impact if discount rate	Breakeven point at 19%	0
	Increased by 4%	59.1
Impact if selling prices	increased by 10%	167.9
	reduced by 10%	57.9
Impact if production tonnes	increased by 10%	164.1
	reduced by 10%	56.1
Impact if foreign exchange rates	increased by 10%	143.6
	reduced by 10%	75.4
Impact if operating costs:	increased by 10%	81.0
	reduced by 10%	144.8

## (5) Intangible assets - Exploration and evaluation costs

	31 Dec 2021	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2020	31 Dec 2020
	Cost	Amort- isation	Carrying value	Cost	Amort- isation	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capitalised costs	44,631	-	44,631	44,348	-	44,348

The costs of mineral resources acquired and associated exploration and evaluation costs are not subject to amortisation until they are included in the life-of-the-mine plan and production has commenced.

Where assets are dedicated to a mine, the useful lives are subject to the lesser of the asset category's useful life and the life of the mine, unless those assets are readily transferable to another productive mine. In accordance with the requirements of IFRS 6, the Directors assessed whether there were any indicators of impairment. No indicators were identified.

## Reconciliation of exploration assets

	Opening Balance US\$'000	Additions US\$'000	Disposals US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
<b>Year ended 31 December 2021</b>					
Capitalised exploration costs	44,348	3,931	(62)	(3,586)	44,631
	Opening Balance US\$'000	Additions US\$'000	Disposals US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
<b>Year ended 31 December 2020</b>					
Capitalised exploration costs	40,192	257	-	3,899	44,348

## (6) Right-of-use assets

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
<b>Cost</b>		
Brought forward	117	55
Additions	-	61
Foreign exchange differences	(7)	1
<b>As at 31 December</b>	<b>110</b>	<b>117</b>
<b>Amortisation</b>		
Brought forward	72	18
Charge for the year	39	51
Foreign exchange differences	(8)	3
<b>As at 31 December</b>	<b>103</b>	<b>72</b>
<b>Net book value</b>	<b>7</b>	<b>45</b>

## (7) Other financial assets

	31 December 2021 US\$'000	31 December 2020 US\$'000
DMR guarantee (1)	630	687
Eskom guarantee (2)	330	359
Eskom guarantee (3)	334	363
Heritage Western Cape Trust (4)	63	68
<b>Total</b>	<b>1,357</b>	<b>1,477</b>

### (1) DMR guarantee

Guarantee in favour of the Department of Mineral Resources for ZAR 10,000,000 in respect of a "financial guarantee for the rehabilitation of land disturbed by prospecting/mining".

**(2) Eskom guarantee**

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR 5,235,712 in respect of “supply agreement (early termination) guarantee”.

**(3) Eskom guarantee**

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR 5,305,333 in respect of an “electricity accounts guarantee”.

**(4) Heritage Western Cape Trust**

ZAR 1,000,000 settlement agreement trust fund held in trust by attorneys on behalf of the Heritage Western Cape Trust until Kropz Elandsfontein lodged a heritage impact assessment. The heritage impact assessment was lodged in 2018 and the Group is waiting for the release and return of the guarantee.

**Fair value of other financial assets**

The carrying value of other financial assets approximate their fair value.

**(8) Inventories**

	31 December 2021 US\$'000	31 December 2020 US\$'000
Consumables	600	798
Spare parts	425	23
<b>Total</b>	<b>1,025</b>	<b>821</b>

**(9) Trade and other receivables**

	31 December 2021 US\$'000	31 December 2020 US\$'000
Prepayments and accrued income	238	124
Deposits	46	47
VAT	1,112	1,326
Other receivables	115	114
<b>Total</b>	<b>1,511</b>	<b>1,611</b>

**Credit quality of trade and other receivables**

The credit quality of trade and other receivables are considered recoverable due to management’s assessment of debtors’ ability to repay the outstanding amount.

**Credit risk**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

**Trade and other receivables past due but not impaired**

None of the trade and other receivables were past due at the end of the reporting dates.

**Trade and other receivables impaired**

None of the trade and other receivables were considered impaired. Trade and other receivables have not been discounted as the impact of discounting is considered to be insignificant.

**Fair value of trade and other receivables**

The carrying value of trade and other receivables approximate their fair value.

**Expected credit losses**

There are no current receivable balances lifetime expected credit losses in the current year.

**(10) Derivative asset**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
Convertible loan facility	-	8,586

The Group secured a convertible loan facility from ARC, Kropz's major shareholder, in June 2020 ("Original Equity Facility") for the development of Elandsfontein. Under the terms of the convertible equity facility, ARC committed to provide up to a ZAR equivalent of US\$ 40 million (up to a maximum of ZAR 680 million) to the Company which will be converted into new ordinary shares. The cap of ZAR 680 million was put in place as ARC secured this facility from Rand Merchant Bank in South Africa in order to fulfil its commitments to the Company. The Company, via Kropz Elandsfontein, receives the ZAR equivalent of the draw down based on the actual exchange rate prevailing at the time of the drawdown, subject to a maximum exchange rate of ZAR 17 to the US\$.

The convertible loan facility was used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US\$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a drawdown. At 31 December 2020, US\$ 21 million of the facility remained undrawn which equated to 267,555,556 new ordinary shares to be issued in the Company pursuant to the terms of the agreement. A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility and the expected share price was deemed to be 4.37 pence per share. As at 31 December 2021, the Original Equity Facility was fully drawn.

**(11) Restricted cash**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
Short-term deposits	4,858	7,355

In May 2020, Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5% plus US LIBOR, up to project completion and 4.5% plus US LIBOR thereafter. In addition, the amended BNP facility agreement locked up ZAR 200 million of cash held in the bank account of Kropz Elandsfontein at that time, to be released by BNP to Kropz Elandsfontein pro rata drawdowns from ARC in terms of the Original Equity Facility. The locked up funds would be released by BNP in the ratio of 1:3, representing a drawdown of ZAR1 for every ZAR3 drawn down from ARC in terms of the Original Equity Facility. At 31 December 2021, ZAR 77 million remained locked up and invested with BNP as short-term deposits. BNP released the remaining ZAR 77 million restricted cash in the bank account of Kropz Elandsfontein on 10 January 2022.

**Fair value of short-term deposits**

Due to the short-term nature of restricted cash the carrying amount is deemed to approximate the fair value.

**(12) Cash and cash equivalents**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
Bank balances	<b>2,460</b>	11,571
Cash on hand	<b>1</b>	<b>1</b>
<b>Total</b>	<b>2,461</b>	<b>11,572</b>

**Credit quality of cash at bank and short-term deposits, excluding cash on hand**

The Group only deposits cash and cash equivalents with reputable banks with good credit ratings.

**Fair value of cash at bank**

Due to the short-term nature of cash and cash equivalents the carrying amount is deemed to approximate the fair value.

**(13) Share capital**

Each shareholder has the right to one vote per ordinary share in general meeting. Any distributable profit remaining after payment of distributions is available for distribution to the shareholders of the Company in equal amounts per share. Shares were issued as set out below:

	<b>Number of shares</b>	<b>Share capital US\$'000</b>	<b>Share premium US\$'000</b>	<b>Merger reserve US\$'000</b>	<b>Total US\$'000</b>
<b>At 1 January 2020</b>	<b>283,406,307</b>	<b>363</b>	<b>147,339</b>	<b>(20,523)</b>	<b>127,179</b>
Placing of shares	4,505,060	5	349	-	<b>354</b>
Convertible loan – issue of shares	244,866,271	306	18,694	-	<b>19,000</b>
Open offer – issue of shares	25,849,920	32	2,130	-	<b>2,162</b>
Cost of issuing shares	-	-	(320)	-	<b>(320)</b>
Lapsed warrants	-	-	30	-	<b>30</b>
Issue of warrants	-	-	(10)	-	<b>(10)</b>
<b>As at 31 December 2020</b>	<b>558,627,558</b>	<b>706</b>	<b>168,212</b>	<b>(20,523)</b>	<b>148,395</b>
Convertible loan – issue of shares	350,944,417	488	25,312	-	25,800
<b>At 31 December 2021</b>	<b>909,571,975</b>	<b>1,194</b>	<b>193,524</b>	<b>(20,523)</b>	<b>174,195</b>

*Issue of shares in the year ended 31 December 2021:*

The changes to the issued share capital of the Company which occurred between 1 January 2021 and 31 December 2021 were as follows:

**Convertible loan facility**

Kropz secured a convertible loan facility from ARC, Kropz's major shareholder, in June 2020 for the development of Elandsfontein. Under the terms of the convertible equity facility, ARC committed to provide up to a ZAR equivalent of US\$ 40 million (ZAR 680 million) to the Company which will be converted into new ordinary shares ("Original Equity Facility"). The cap of ZAR 680 million was put in place as ARC secured this facility from Rand Merchant Bank in South Africa in order to fulfil its commitments to the Company. The Company, via Kropz Elandsfontein, receives the ZAR equivalent of the draw down based on the actual exchange rate prevailing at the time of the draw down, subject to a maximum exchange rate of ZAR 17 to the US\$. The convertible loan facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US\$ exchange rate (0.86) and pursuant to the amended preference share subscription agreement ("PSSA"), Kropz plc shall subscribe for further non-redeemable preference shares in Kropz Elandsfontein. Drawdowns are at the sole discretion of

the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a draw down. The Original Equity Facility was fully drawn during 2021.

Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly drawdowns under the Further Equity Facility are at the sole discretion of Kropz. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (4.202 pence per share) and fixed GBP / US\$ exchange rate (0.73).

The first drawdown on the Further Equity Facility was for US\$ 2 million which was paid by way of issue of 34,745,359 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund on 10 March 2021.

The fourth drawdown on the Original Equity Facility was for US\$ 7 million which was paid by way of issue of 89,185,185 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 10 March 2021.

The fifth drawdown on the Original Equity Facility was for US\$ 11 million which was paid by way of issue of 140,148,148 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 23 June 2021.

The second drawdown on the Further Equity Facility was for US\$ 2 million which was paid by way of issue of 34,745,359 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund on 23 June 2021.

The sixth and final drawdown on the Original Equity Facility was for US\$ 3 million which was paid by way of issue of 38,222,222 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 10 September 2021.

The third drawdown on the Further Equity Facility was for US\$ 400,000 which was paid by way of issue of 6,949,072 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund on 10 September 2021.

The fourth drawdown on the Further Equity Facility was for US\$ 400,000 which was paid by way of issue of 6,949,072 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund on 10 December 2021. At year end, US\$ 200,000 of the Further Equity Facility remained undrawn.

#### **Share based payment arrangements**

##### ***Employee Share Option Plan and Long-Term Incentive Plan***

As more fully described in the Directors' Report, the Company operates an ownership-based scheme for executives and senior employees of the Group. In accordance with the provisions of the plans, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Board based on a recommendation by the Remuneration Committee.

The following plans have been adopted by the Company:

- an executive share option plan used to grant awards on Admission of the Company to AIM and following Admission (the “ESOP Awards”) – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- an executive long-term incentive plan (the “LTIP Awards”) – a performance and service-related plan pursuant to which conditional share awards, nominal-cost options and market value options can be granted, (together, the “Incentive Plans”).

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

### **ESOP Awards**

ESOP Awards were issued at the time of the Admission of the Company’s shares to the AIM market of the London Stock Exchange in November 2018.

The ESOP Awards will vest as to performance as follows:

- 20% of the award shall vest for growth in share price of 100% from the Admission placing price (40 pence);
- a further 20% of the award shall vest for growth in share price of 250% from the Admission placing price;
- a further 30% of the award shall vest for growth in share price of 350% from the Admission placing price; and
- a further 30% of the award shall vest for growth in share price of 500% from the Admission placing price.

The value of the options was calculated by way of a Monte Carlo Simulation using the following assumptions.

#### **ESOP Award assumptions at issue date**

Share price	GBP 0.40
Exercise price	GBP 0.40
Expected volatility	40%
Expected dividends	0%
Risk-free interest rate	2.1%
Option life	10 years

The expected volatility is based on the historic volatility. Options are stated in UK Pound Sterling as the Company is listed on the AIM market of the London Stock Exchange.

Ian Harebottle resigned on 29 February 2020 and the 3,362,609 ESOP options awarded to him lapsed and expired on that date.

### **LTIP Awards**

During 2020, the Company granted conditional share awards over ordinary shares in the Company to key members of the executive management team under its LTIP Awards plan. These LTIP Awards have performance conditions aligned to the implementing the Company's strategic plans, including appropriate weightings on the successful commissioning of the Elandsfontein mine and completion of an updated feasibility study on the Hinda project.

As announced on 4 August 2020, the Company granted LTIP Awards to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities (“PDMRs”), including Mark Summers and Chief Operating Officer (“COO”) Michelle Lawrence, under its LTIP Awards.

The LTIP Awards are nil priced options over a total of 6,700,000 ordinary shares. Of this total, 2,350,000 LTIP Awards were granted to each of Mark Summers and Michelle Lawrence and 1,000,000 to Patrick Stevenaert. The LTIP Awards vested on 31 December 2021 and were exercised in January 2022, pursuant to the terms of the LTIP Plan Rules (as set out in the Company’s Admission Document), including financial and non-financial performance conditions and, in respect of Mark Summers and Michelle Lawrence, continued employment by the Company.

The value of the options was calculated by using the Black-Scholes model, using the following assumptions.

**LTIP Award assumptions at issue date**

Share price	GBP 0.085
Exercise price	GBP 0.001
Expected volatility	26%
Expected dividends	0%
Risk-free interest rate	1.1%
Option life	3 years

As announced on 2 July 2021, the Company granted LTIP Awards to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities (“PDMRs”), including Mark Summers and Chief Operating Officer (“COO”) Michelle Lawrence, under its LTIP Awards.

The LTIP Awards are nil priced options over a total of 7,800,000 ordinary shares. Of this total, 2,400,000 LTIP Awards were granted to each of Mark Summers and Michelle Lawrence and 900,000 to Patrick Stevenaert. The LTIP Awards will vest on various dates from 30 June 2022 to 31 December 2024, subject to the terms of the LTIP Plan Rules (as set out in the Company’s Admission Document), including financial and non-financial performance conditions and, in respect of Mark Summers and Michelle Lawrence, continued employment by the Company.

The value of the options was calculated by using the Black-Scholes model, using the following assumptions.

**LTIP Award assumptions at issue date**

Share price	GBP 0.055
Exercise price	GBP 0.001
Expected volatility	30%
Expected dividends	0%
Risk-free interest rate	1.3%
Option life	7 years

The charge to profit and loss for share options was US\$ 812,000 (31 December 2020: US\$ 238,000).

The LTIP Awards are nil priced options over a total of 14,500,000 ordinary shares representing 1.6% of the Company's issued share capital at 31 December 2021. Following the grant of the LTIP Awards, together with the existing 4,827,746 ESOP Awards, the ESOP Awards and LTIP Awards represent 2.1% of the Company's issued share capital at 31 December 2021.

## Equity warrants

As part of the equity facility and fundraising, on 4 August 2020 the Company granted 121,837 warrants over the ordinary shares of 0.1 pence each in the Company, exercisable at 6.75 pence per Ordinary Share for a period of two years from issue.

The warrants were issued to brokers in relation to their involvement in issuance of equity instruments of the Company. The services provided relate to share issuance and share issuance expenses are included within equity. The warrants were valued at the year end using a Black-Scholes valuation model. The charge to share premium account in respect of warrants issued during the year was US\$ nil (2020: US\$ 10,000).

121,837 equity warrants remained in place at 31 December 2021 (2020: 121,837 equity warrants).

## (14) Reserves

### Nature and purpose of reserves

#### Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these consolidated financial statements from their functional currencies to the presentational currency. A decrease in the reserve of US\$ 10,141,000 (2020: addition US\$ 2,281,000) was recorded due to changes in the foreign currencies used to translate assets, liabilities and equity at consolidation.

#### Share premium

The share premium account represents the amount received on the issue of ordinary shares by the Company, other than those recognised in the merger reserve described below, in excess of their nominal value and is non-distributable.

#### Merger reserve

The merger reserve represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value on acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies. The merger reserve consists of the merger relief on the issue of shares to acquire Kropz SA on 27 November 2018 and Cominco Resources on 30 November 2018. The merger reserve also includes differences between the book value of assets and liabilities acquired and the consideration for the business acquired under common control.

#### Share-based payment reserve

The share-based payment reserve arises from the requirement to value share options and warrants in existence at fair value (see Note 13).

## (15) Shareholder loans and derivative

	31 December 2021 US\$'000	31 December 2020 US\$'000
ARC	16,196	15,703
Convertible debt - ARC	6,191	-
Derivative liability	2,656	-
	<b>25,043</b>	<b>15,703</b>

## ARC

The loans are: (i) US\$ denominated, but any repayments will be made in ZAR at the then prevailing ZAR/US\$ exchange rate; (ii) carry interest at monthly US LIBOR plus 3%; and (iii) are repayable by no later than 1 January 2035 (or such earlier date as agreed between the parties to the shareholder agreements).

## Convertible debt - ARC

On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million ("New ZAR Equity Facility") with ARC, the Company's major shareholder. The Company made a drawdown of ZAR 90 million of the New ZAR Equity Facility on 26 October 2021 and a further ZAR 37 million on 9 December 2021 and ZAR 73 million remained undrawn at 31 December 2021. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the New ZAR Equity Facility, repayment of the New ZAR Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into ordinary shares of 0.1 pence each ("Ordinary Shares") in the Company and issued to ARC, at a conversion price of 4.5058 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 September 2021, and at fixed exchange rate of GBP 1 = ZAR 20.24 ("Conversion"), or payable in cash by the Company at the end of the term of the New ZAR Equity Facility which is 27 October 2026. Two further draw downs were made in 2022, one on 25 March 2022 for ZAR 40 million and ZAR 33 million on 26 April 2022. The New ZAR Equity Facility is fully drawn at the date of this report.

## Convertible liability

It was determined that the conversion option embedded in the convertible debt equity facility be accounted for separately as a derivative liability. Although the amount to be settled is fixed in ZAR, when converted back to Kropz's functional currency, will result in a variable amount of cash based on the exchange rate at the date of conversion. The value of the liability component and the derivative conversion component were determined at the date of draw down using a Monte Carlo simulation. The debt host liability was bifurcated based on the determined value of the option. Subsequently, the embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss (refer to Note 31).

## Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

## (16) Finance lease liabilities

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
<b>In respect of right-of-use assets</b>		
Balance brought forward	48	40
Additions during the year	-	60
Repayments during the year	(39)	(53)
Foreign exchange differences	(2)	1
<b>Lease liabilities at end of year</b>	<b>7</b>	<b>48</b>
<b>Maturity</b>		
Current	7	42
Non-current	-	6
<b>Total lease liabilities</b>	<b>7</b>	<b>48</b>

**(17) Other financial liabilities**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
BNP	<b>30,041</b>	30,118
Greenheart Foundation	<b>545</b>	495
<b>Total</b>	<b>30,586</b>	<b>30,613</b>
<b>Maturity</b>		
Non-current	<b>26,291</b>	28,113
Current	<b>4,295</b>	2,500
<b>Total</b>	<b>30,586</b>	<b>30,613</b>

**BNP**

A US\$ 30,000,000 facility was made available by BNP to Kropz Elandsfontein in September 2016. Interest was charged at three months US LIBOR plus 4.5% and was initially repayable quarterly over 2 years. The first capital repayment was due on 31 March 2018.

The Group was unable to fund the instalment payments on the loan as they fell due in early 2018 and consequently, under the terms of the facility agreement, was in default from 1 April 2018. On 20 September 2018 the Group and BNP conditionally agreed a waiver of the breach and restructure of the facility under which the first capital repayment was deferred to 30 September 2020. In addition, BNP provided the necessary consents required to facilitate all the contemplated transactions leading up to the admission of Kropz plc to AIM. The waiver and restructured facility were only contingent on the admission of Kropz plc's shares to trading on AIM by 30 November 2018, which did occur on that date. The facility has been fully drawn down.

During January 2020, given the delays in the recommissioning of Elandsfontein, Kropz Elandsfontein was once again placed into default by BNP. In May 2020, Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5% plus US LIBOR, up to project completion and 4.5% plus US LIBOR thereafter. In addition, the amended BNP facility agreement locked up ZAR 200 million of cash held in the bank account of Kropz Elandsfontein at that time, to be released by BNP to Kropz Elandsfontein pro rata drawdowns from ARC in terms of the Original Equity Facility. The locked up funds would be released by BNP in the ratio of 1:3, representing a drawdown of ZAR 1 for every ZAR 3 drawn down from ARC in terms of the Original Equity Facility. Financial closure occurred on 25 June 2020.

In accordance with IFRS 9, the Group recognised a loss in 2020 of US\$ 1,109,000 in profit and loss arising from the modification of the loan.

**Greenheart Foundation**

A loan has been made to the Group by Greenheart Foundation which is interest-free and repayable on demand. Mark Summers, a Director of the Kropz plc, is a Director of Greenheart Foundation.

**Fair value of other financial liabilities**

The carrying value of the loans approximate their fair value.

**(18) Provisions**

**Reconciliation of provisions – Year ended 31 December 2021**

	Opening Balance US\$'000	Additions/ Adjustments US\$'000	Foreign exchange gains US\$'000	Closing balance US\$'000
Provision for dismantling costs	2,477	(42)	(194)	2,241
Provisions for rehabilitation	1,834	112	(154)	1,792
<b>Total</b>	<b>4,311</b>	<b>70</b>	<b>(348)</b>	<b>4,033</b>

**Reconciliation of provisions – Year ended 31 December 2020**

	Opening Balance US\$'000	Additions/ Adjustments US\$'000	Foreign exchange gain US\$'000	Closing balance US\$'000
Provision for dismantling costs	650	1,854	(27)	2,477
Provisions for rehabilitation	3,052	(1,089)	(129)	1,834
<b>Total</b>	<b>3,702</b>	<b>765</b>	<b>(156)</b>	<b>4,311</b>

**Dismantling and rehabilitation provisions**

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technological and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the mine. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. In determining the environmental rehabilitation liability, an inflation rate of 4.5% (2020: 5%) was assumed to increase the rehabilitation liability for the next 11 years (2020: 10 years), and a rate of 7.46% (2020: 7.71%) to discount that amount to present value.

**(19) Trade and other payables**

	31 December 2021 US\$'000	31 December 2020 US\$'000
Trade payables	2,527	4,471
Other payables	-	17
Accruals	1,016	292
<b>Total</b>	<b>3,543</b>	<b>4,780</b>

**Fair value of trade and other payables**

Trade and other payables are carried at amortised cost, with their carrying value approximating their fair value.

**(20) Commitments**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
Authorised capital commitments	<b>1,871</b>	14,815

The committed expenditure relates to plant construction.

**(21) Directors' remuneration, interests and transactions**

The Directors of the Company and the two executives of Kropz Elandsfontein and Cominco Resources are considered to be the Key Management Personnel of the Group. Details of the Directors' remuneration, Key Management Personnel remuneration which totalled US\$ 1,942,127 (2020: US\$ 1,413,184) (including notional option cost and social security contributions) and Directors' interests in the share capital of the Company are disclosed in the Directors' Report. Amounts reflected relate to short-term employee benefits and were converted to US\$ at the 31 December 2021 GBP exchange rate of 0.727 and ZAR exchange rate of ZAR 14.789.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of US\$ 542,739 (2020: US\$ 295,516).

**(22) Finance income**

	<b>Year ended 31 December 2021 US\$'000</b>	<b>Year ended 31 December 2020 US\$'000</b>
Foreign currency gains	-	109
Interest income received	<b>480</b>	1,135
<b>Total</b>	<b>480</b>	<b>1,244</b>

**(23) Operating expenses**

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Fair value (gain) / loss on game animals	(51)	18
Amortisation of right of use asset	39	51
Depreciation of property, plant and machinery	904	780
Employee costs (excluding share option cost)	1,392	933
Share option cost	812	238
Electricity and water – mine operations	1,067	807
Inventory expense	183	16
Mining costs	9	167
Plant operating costs and recoveries	217	833
Professional and other services	821	951
Auditor's remuneration in respect of audit of the Group and parent	86	89
Auditor's remuneration in respect of audit of the Cominco Group	42	32
Component auditor's remuneration in respect of audit of South African controlled entities	68	56
Other expenses	914	941
<b>Total</b>	<b>6,503</b>	<b>5,912</b>

**(24) Staff costs**

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
The average monthly number of employees was:		
Operations	11	9
Finance and administration	6	6
Management	3	3
	<b>20</b>	<b>18</b>

  

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	1,274	823
Social security costs	115	109
Share-based payments	812	238
Pension costs	3	1
	<b>2,204</b>	<b>1,171</b>

**(25) Finance expense**

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Shareholder loans	670	611
Foreign exchange losses	4,382	1,857
Bank debt	2,024	2,061
BNP – debt modification loss (Note 17)	-	1,109
BNP – debt modification present value adjustment amortisation	(258)	(119)
BNP amendment fee amortisation	227	104
Finance leases	1	2
Other	345	289
<b>Total</b>	<b>7,391</b>	<b>5,914</b>

**(26) Loss on disposal of subsidiary**

On 15 February 2021, the Group divested of its interests in Aflao, the phosphate project located in Ghana by selling its shareholding in First Gear Exploration Ltd (“First Gear Exploration”), a 50% owned subsidiary of the Company, to Consortium Minerals Ltd (“Consortium”) (the “Disposal”). As a result of the sale, Kropz has no further interest in Aflao.

Consortium is a subsidiary of Russell Brooks Ltd, who was a minority shareholder in First Gear Exploration, with a 15% shareholding prior to the Disposal.

The consideration for the sale of the Kropz interest in First Gear Exploration was:

- US\$ 5,000 cash (“Share Consideration”); and
- US\$ 322,529 (“Loan Consideration”) deferred cash consideration in respect of the shareholder loan from Kropz to First Gear Exploration, which is being novated to Consortium.

The Share Consideration was payable by Consortium within seven days of completion. The Loan Consideration will be payable by Consortium to Kropz upon, the earlier of,

- (i) the sign-off by a competent person of a definitive feasibility study on the Aflao deposit, as defined in the JORC Code 2012 edition; or
- (ii) Consortium disposing or transferring the Shares prior to the event described in (i) being achieved; or
- (iii) Consortium disposing or transferring the prospecting right prior to the event described in (i) being achieved.

As at the date of this report, the Loan Consideration remains outstanding and the amount has not been accounted for as recoverability is not certain.

This disposal allows the Company to focus on its strategy of developing the Elandsfontein phosphate project in South Africa and progressing the Hinda phosphate project in the RoC.

The loss on disposal was calculated as follows:

	US\$'000
Consideration	5
Net liabilities on disposal	(348)
Non-controlling interest on disposal	181
Derecognition of exploration and evaluation assets	(62)
<b>Loss on disposal</b>	<b>(224)</b>

**(27) Taxation**

Major components of tax charge	Year ended 31 December 2021 US\$'000	Period ended 31 December 2020 US\$'000
<b>Deferred</b>		
Originating and reversing temporary differences	-	-
<b>Current tax</b>		
Local income tax recognised in respect of prior year	-	(36)
<b>Total</b>	<b>-</b>	<b>(36)</b>

**Reconciliation of tax charge**

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Loss before tax	(18,258)	(1,967)
Applicable UK tax rate	19%	19%
Tax at applicable tax rate	(3,469)	(374)
Adjustments for different tax rates in the Group	(2,177)	(1,219)
Non-taxable losses / (gains)	786	(1,631)
Disallowable expenditure	759	648
Prior year tax charge	-	(36)
Losses carried forward not recognised	4,101	2,576
<b>Tax (credit) / charge</b>	<b>-</b>	<b>(36)</b>

The movement in tax liabilities is summarised below:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Balance brought forward	-	174
Current year charge	-	(36)
Tax paid	-	(128)
Foreign exchange differences	-	(10)
<b>Balance carried forward</b>	<b>-</b>	<b>-</b>

The Group had losses for tax purposes of approximately US\$ 52.1 million as at 31 December 2021 (2020: US\$ 43.8 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. They can be carried forward indefinitely.

A net deferred tax asset of approximately US\$ 14.6 million (2020: US\$ 12.3 million), after set off of accelerated depreciation allowances in respect of fixed assets of US\$ 34.7 million (2020: US\$ 29.9 million), arises in respect of these losses. It has not been recognised as steady state production has not been reached. The deferred tax asset and deferred tax liability relate to income tax in the same jurisdiction and the law permits set off.

**(28) Earnings per share**

The calculations of basic and diluted loss per share have been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
(Loss) / Profit attributable to ordinary shareholders	(13,787)	1,531
Weighted average number of ordinary shares used in basic (loss) / earnings per share	765,871,834	383,896,428
Share options and warrants	-	11,649,583
Weighted average number of ordinary shares used in diluted (loss) / earnings per share	765,871,834	395,546,011
<b>Basic (loss) / earnings per share (US\$ cents)</b>	<b>(1.80)</b>	0.40
<b>Diluted (loss) / earnings per share (US\$ cents)</b>	<b>(1.80)</b>	0.39

Because the Group was in a net loss position attributable to ordinary shareholders in 2021, diluted loss per share excludes the effects of ordinary share equivalents consisting of share options and warrants, which are anti-dilutive.

(29) Notes to the statement of cash flows

Issue of shares

Year ended 31 December 2021

	Non-cash consideration US\$'000	Cash consideration US\$'000	Total US\$'000
Equity facility – issue of shares	-	25,800	25,800
	-	25,800	25,800

Year ended 31 December 2020

	Non-cash consideration US\$'000	Cash consideration US\$'000	Total US\$'000
Placing of shares	-	354	354
Equity facility – issue of shares	-	19,000	19,000
Open offer - issue of shares	-	2,162	2,162
Cost of issuing shares	-	(320)	(320)
As at 31 December 2020	-	21,196	21,196

Net debt reconciliation

Year ended 31 December 2021

	Opening Balance US\$'000	Accrued interest US\$'000	Fair value movements US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Other financial assets	1,477	-	-	-	(120)	1,357
Shareholder loan payable and derivative	(15,703)	(670)	(653)	(8,037)	20	(25,043)
Other financial liabilities	(30,613)	31	-	(54)	50	(30,586)
Finance leases	(48)	-	-	39	2	(7)
Total	(44,887)	(639)	(653)	(8,052)	(48)	(54,279)

**Year ended 31 December 2020 (restated – refer to Note 2)**

	Opening Balance US\$'000	Accrued interest US\$'000	New agreements US\$'000	Modifi-cation loss US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Other financial assets	1,534	-	-		-	(57)	1,477
Shareholder loan payable and derivative	(14,701)	(611)	-		(411)	20	(15,703)
Other financial liabilities	(29,982)	-	-	(1,109)	464	14	(30,613)
Finance leases	(40)	-	(60)		53	(1)	(48)
<b>Total</b>	<b>(43,189)</b>	<b>(611)</b>	<b>(60)</b>	<b>(1,109)</b>	<b>106</b>	<b>(24)</b>	<b>(44,887)</b>

**Reconciliation of working capital items:**

**Year ended 31 December 2021**

	Opening Balance US\$'000	Cash movements US\$'000	Capital allocated US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Trade and other receivables	1,611	(256)	-	156	1,511
Inventories	821	291	-	(87)	1,025
Trade and other payables	(4,780)	(3,178)	2,599	1,816	(3,543)
<b>Total</b>	<b>(2,348)</b>	<b>(3,143)</b>	<b>2,599</b>	<b>1,885</b>	<b>(1,007)</b>

**Year ended 31 December 2020 (restated – refer Note 2)**

	Opening Balance US\$'000	Cash movements US\$'000	Capital allocated US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Trade and other receivables	329	1,278	-	4	1,611
Inventories	875	(17)	-	(37)	821
Trade and other payables	(1,536)	(28)	(3,328)	112	(4,780)
<b>Total</b>	<b>(332)</b>	<b>1,233</b>	<b>(3,328)</b>	<b>79</b>	<b>(2,348)</b>

**(30) Related parties**

**Kropz plc and its subsidiaries**

The following parties are related to Kropz plc:

<b>Name</b>	<b>Relationship</b>
Mark Summers	Director
Mike Nunn	Director
Linda Beal	Director
Mike Daigle	Director
Lord Robin William Renwick	Director
Machiel Johannes Reyneke	Director
Kropz SA	Subsidiary
Elandsfontein Land Holdings (Pty) Ltd ("ELH")	Subsidiary
Kropz Elandsfontein	Subsidiary
West Coast Fertilisers (Pty) Ltd	Subsidiary
Xsando (Pty) Ltd	Subsidiary
Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
The ARC Fund ("ARC")	Shareholder

Details of remuneration to KMP are contained in Note 21 to the Consolidated Financial Statements.

In addition to share issues to related parties set out in Note 13 to the Consolidated Financial Statements, the following transactions were carried out with related parties:

**Related party balances**

**Loan accounts – owed to related parties**

	<b>31 December 2021 US\$'000</b>	<b>31 December 2020 US\$'000</b>
ARC	16,196	15,703
Convertible debt - ARC	6,191	-
Derivative liability (refer Note 15)	2,656	-
Greenheart Foundation (refer Note 17)	545	495
<b>Total</b>	<b>25,588</b>	<b>16,198</b>

**Related party balances**

**Interest accrued to related parties**

	<b>Year ended 31 December 2021 US\$'000</b>	<b>Year ended 31 December 2020 US\$'000</b>
ARC	670	611
<b>Total</b>	<b>670</b>	<b>611</b>

## Convertible loan facilities

As described in Note 13, the Company made drawdowns totalling US\$ 25.8 million (2020: US\$ 19 million) under its convertible loan facilities from ARC.

### (31) Categories of financial instrument

#### Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	31 December 2021 US\$'000	31 December 2020 US\$'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables	399	285
Other financial assets	1,357	1,477
Restricted cash	4,858	7,355
Cash and cash equivalents	2,461	11,572
<b>Total</b>	<b>9,075</b>	<b>20,689</b>
<b>Financial assets at fair value</b>		
Derivative asset	-	8,586
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	3,543	4,780
Finance leases	7	48
Shareholder loans	22,387	15,703
Other financial liabilities	30,586	30,613
<b>Total</b>	<b>56,523</b>	<b>51,144</b>
<b>Financial liabilities at fair value</b>		
Derivative liability	2,656	-

#### Recognised fair value measurements

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the notes to the Consolidated Statement of Financial Position.

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments.

#### (i) Financial instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. At the reporting date, the Group had a convertible facility with ARC. The US\$ amount of the facility is convertible into ordinary shares of the parent entity (Note 15).

(ii) Fair value hierarchy

- The fair value hierarchy consists of the following levels
- Quoted prices in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2021</b>				
Derivative asset	-	-	-	-
<b>2020</b>				
Derivative asset	-	-	8,586	8,586
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2021</b>				
Derivative liability	-	-	2,656	2,656
<b>2020</b>				
Derivative liability	-	-	-	-

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of the reporting period.

(iii) Reconciliation: Level 3 fair value measurement

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
<i>Derivative asset</i>		
Opening balance	8,586	-
Fair value (loss) / gain recognised in profit and loss	(4,139)	8,586
Extinguished on issuance of equity	(4,447)	-
<b>Closing balance</b>	-	8,586
<i>Derivative liability</i>		
Opening balance	-	-
Fair value at initial recognition	(2,015)	-
Fair value loss recognised in profit and loss	(653)	-
Foreign exchange	12	-
<b>Closing balance</b>	(2,656)	-

(iv) Valuation technique used to determine fair value

Derivative asset:

A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility multiplied by the number of shares to be issued pursuant to the Original and Further Equity Facility compared to the quoted market share price.

Derivative liability:

A Monte-Carlo simulation was applied to value the option component of the convertible debt at a 30% volatility in share price, 14% volatility in the GBP:ZAR exchange rate and risk free rate of 0.76% multiplied by the number of shares to be issued pursuant to the drawn amounts under the New ZAR Equity Facility. A change of US\$ 1.8 million in value would be observed should share price volatility increase over 60%, risk free rate above 10% and foreign exchange starting rate above R34/GBP.

**(32) Financial risk management objectives**

**Capital risk management:**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of shareholder and external debt, which includes loans and borrowings (excluding derivative financial liabilities) disclosed in Notes 15 and 17 and equity as disclosed in the Statement of Financial Position.

Shareholder and external third-party loans from foreign entities to South African companies are subject to the foreign exchange controls as imposed by the South African Reserve Bank ("SARB"). All inward loans into South Africa require approval by the SARB and all loans in the current capital structure have been approved by the SARB and all entities in the Group are compliant with the SARB approvals relevant to the entity concerned and the approvals granted by the SARB.

**Liquidity risk:**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of obligations associated with financial liabilities of the Group and the availability of funds to meet those obligations. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year US\$'000	Between one and two years US\$'000	Between two and five years US\$'000	Over five years US\$'000
<b>At 31 December 2021</b>				
Shareholder loans payable	-	-	13,711	24,246
Trade and other payables	3,543	-	-	-
Finance leases	7	-	-	-
Other financial liabilities	5,676	15,950	11,509	-
<b>Total</b>	<b>9,226</b>	<b>15,950</b>	<b>25,220</b>	<b>24,246</b>

	Less than one year US\$'000	Between one and two years US\$'000	Between two and five years US\$'000	Over five years US\$'000
<b>At 31 December 2020</b>				
Shareholder loans payable	-	-	-	15,703
Trade and other payables	4,780	-	-	-
Finance leases	42	6	-	-
Other financial liabilities	2,500	5,155	27,479	-
<b>Total</b>	<b>7,322</b>	<b>5,161</b>	<b>27,479</b>	<b>15,703</b>

**Credit risk:**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets include trade and other receivables, loans receivable, other financial assets and cash and cash equivalents.

Ongoing credit evaluation is performed on the financial conditions of the counterparties to the trade and other receivables, loans receivable and other financial assets. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

**Interest rate risk:**

As the Group has significant interest-bearing assets, the Group's income and operating cash flows are substantially dependent on changes in market interest rates. At 31 December 2021, if interest rates on the shareholder and BNP loans (denominated in US\$) had been 1% higher/lower with all other variables held constant, post-tax losses and equity for the year would have been approximately US\$ 541,000 (2020: US\$ 450,000) higher/lower respectively.

**Foreign currency risk:**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities (when financial liabilities and cash are denominated other than in a company's functional currency).

Most of the Group's transactions are carried out in South African Rand. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The Group's net exposure to foreign exchange risk was as follows:

	Functional currency		
	South African Rand US\$'000	British Pound US\$'000	Total US\$'000
<b>As at 31 December 2021</b>			
<b>Financial assets denominated in US\$</b>	-	313	313
<b>Financial liabilities denominated in US\$</b>	(46,196)	-	(46,196)
<b>Net foreign currency exposure</b>	(46,196)	313	(45,883)

	Functional currency		
	South African Rand US\$'000	British Pound US\$'000	Total US\$'000
<b>As at 31 December 2020</b>			
<b>Financial assets denominated in US\$</b>	-	971	971
<b>Financial liabilities denominated in US\$</b>	(44,238)	-	(44,238)
<b>Net foreign currency exposure</b>	(44,238)	971	(43,267)

*Foreign currency sensitivity analysis:*

The following tables demonstrate the sensitivity to a reasonably possible change in South African Rand and GBP exchange rates, with all other variables held constant.

The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

A 10% movement in the Rand and Pound against the US Dollar would increase/(decrease) net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As at 31 December 2021 Increase/ (Decrease) US\$'000	As at 31 December 2020 Increase/ (Decrease) US\$'000
<b>Effects on net assets</b>		
<b>Rand:</b>		
- strengthened by 10%	(4,620)	(4,424)
- weakened by 10%	4,620	4,424
<b>Effects on net assets</b>		
<b>GBP:</b>		
- strengthened by 10%	31	97
- weakened by 10%	(31)	(97)

**(33) Segment information**

**Operating segments**

The Board of Directors consider that the Group has one operating segment, being that of phosphate mining and exploration. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

**Geographical segments**

The Group operates in two principal geographical areas – South Africa and the RoC.

The Group's non-current assets by location of assets are detailed below.

	South Africa US\$'000	Congo US\$'000	Group US\$'000
<b>As at 31 December 2021</b>			
Total non-current assets	<b>136,431</b>	<b>44,663</b>	<b>181,094</b>
	South Africa US\$'000	Congo US\$'000	Group US\$'000
<b>As at 31 December 2020</b>			
Total non-current assets	<b>116,027</b>	<b>44,316</b>	<b>160,343</b>

**(34) Non-controlling interests**

	31 December 2021 US\$'000	31 December 2020 US\$'000 (Restated – Note 2)
<b>As at beginning of year</b>	<b>5,729</b>	<b>4,391</b>
Share of losses for the year	<b>(4,471)</b>	<b>(3,462)</b>
Share of other comprehensive income	<b>(1,043)</b>	<b>(86)</b>
Disposal of subsidiary	<b>181</b>	<b>-</b>
Kropz plc's investment in non-redeemable preference shares of Kropz Elandsfontein attributable to non-controlling interest	<b>5,382</b>	<b>4,886</b>
<b>As at end of the year</b>	<b>5,778</b>	<b>5,729</b>

**(35) Material subsequent events**

As announced on 18 January 2022, Kropz issued 6,700,000 ordinary shares, at an exercise price of £0.001 an ordinary share, in the Company to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities ("PDMRs"). The issue of ordinary shares are due to awards vesting and issued under its Long Term Incentive Plan ("LTIP Awards"), issued on 31 July 2020 as announced on 4 August 2020. Of the total above, 2,350,000 ordinary shares were issued to Mark Summers, 2,350,000 ordinary shares to Michelle Lawrence and 1,000,000 to Patrick Stevenaert.

On 23 February 2022, the South African Minister of Finance announced that the corporate tax rate would be reduced from 28% to 27% for the years of assessment beginning on or after 1 April 2022. This is a non-adjusting post balance sheet event.

The fifth and final drawdown on the Further Equity Facility occurred on 10 March 2022 for US\$ 200,000 which was paid by way of issue of 7,446,248 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund.

The third drawdown on the New ZAR Equity Facility occurred on 25 March 2022 for ZAR 40 million and the fourth drawdown on the New ZAR Equity Facility occurred on 26 April 2022 for ZAR 33 million.

BNP Paribas released the ZAR 77 million restricted cash in the bank account of Kropz Elandsfontein (Pty) Ltd on 10 January 2022, upon satisfaction of the requirement by BNP Paribas for the Group to bridge the funding shortfall

in respect of Elandsfontein as announced on 1 September 2021. The funding shortfall was satisfied when the New ZAR Equity Facility was secured from ARC.

As announced on 27 April 2022, a further funding shortfall of ZAR 177 million is expected due to slower than expected progress in the ramp up of operations at Elandsfontein. The delay was largely driven by the need to re-engineer parts of the fine flotation circuit proposed by the vendor, but further exacerbated by early unpredicted ore variability and lack of operator experience. As a result, production of sufficient phosphate rock concentrate for the first bulk sale will move to later than originally expected.

Kropz and ARC entered into a ZAR 25 million (approximately US\$ 1.60 million) bridge loan facility (the “Loan”) on 27 April 2022 to meet cash requirements in April 2022 and draw down of the Loan took place on 28 April 2022. The Loan is repayable on demand, and there are no fixed repayment terms. It is repayable by Kropz on no less than two business days' notice. Interest is payable on the Loan at 14% nominal, compounded monthly.

On 11 May 2022, Kropz entered into a new conditional convertible equity facility of up to ZAR 177 million (“ZAR 177 Million Equity Facility”), with ARC to fund the Company’s Elandsfontein phosphate project to first revenues from bulk concentrate sales:

- The ZAR 177 Million Equity Facility comprises a total commitment of up to ZAR 177 million provided by ARC, which can be drawn down following a written request from Kropz and at the discretion of ARC;
- At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount will, at the election of ARC, either be:
  - In the form of the conversion into ordinary shares of 0.1 pence each (“Ordinary Shares”) in the Company and issued to ARC, at a conversion price of 9.256 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price (“VWAP”) on 4 May 2022, and at a fixed exchange rate of ZAR 1 = GBP 0.0504 (“Conversion”); or
  - Payable in cash by the Company at the end of the term of the New ZAR Equity Facility;
- The first drawdown was made on 2 June 2022 and the Loan was set-off against the first drawdown of the ZAR 177 Million Equity Facility;
- Following a Conversion, the Company will apply for the newly issued Ordinary Shares in the capital of the Company to be admitted to trading on AIM;
- The ZAR 177 Million Equity Facility bears interest at 14% per annum compounded monthly (“Interest”). Interest will be payable in cash to ARC by the Company;
- The term of the ZAR 177 Million Equity Facility will be from the Effective Date to the earlier of:
  - Five years from the Effective Date; or
  - One year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (in the amount not exceeding US\$ 30 million), has been repaid;
- The ZAR 177 Million Equity Facility is secured by the shares that Kropz holds in Cominco Resources Ltd (“Share Charge”); and
- The ZAR 177 Million Equity Facility was conditional on:
  - approval from the South African Reserve Bank (“SARB”). The SARB application was lodged on 16 May 2022 and the approval received on 1 June 2022; and
  - shareholder approval which was received on 30 May 2022.

First drawdown of the ZAR 177 Million Equity Facility of ZAR 103.5 million was made on 2 June 2022. The Loan of ZAR 25 million was set off against the first draw down and the net amount of ZAR 78.5 million received by the Company.

### **(36) Ultimate controlling party**

The Directors consider Ubuntu-Botho Commercial Enterprises Proprietary Limited to be the ultimate controlling party of the Company

