

Company Registration No: 11143400

Kropz plc

Annual Report and Accounts for the year ended 31 December 2019

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Highlights

Key developments during the financial year

Corporate

- US\$ 4.34 million (GBP 3.41 million) raised via equity placing in June 2019, at an issue price of 17.6 pence per ordinary share;
- Cash as at 31 December 2019 of US\$ 16 million (US\$ 30 million as at 31 December 2018); and
- Property, plant, equipment and exploration assets of US\$ 145 million (US\$ 143 million at 31 December 2018).

Projects

- The primary focus of Kropz plc ("Kropz" or "the Company") in 2019 was the Elandsfontein phosphate project ("Elandsfontein") in South Africa;
- Work was aimed at defining the modifications required for the processing facility, test work was conducted at Mintek in South Africa, and Eriez and Worley in the United States ("Test Work");
- Test Work results supported a robust circuit employing both direct and reverse flotation to ensure consistent concentrate grade production of 68 per cent. BPL (31% P₂O₅) could be consistently achieved;
 - Engineering and design of the plant indicates that additional equipment will be required, including:
 - new stacked screens to optimise the milling circuit;
 - additional flotation cells to float the coarse size fraction of +212 micron; and
 - ancillary infrastructure and modifications of the original plant;
 - Further time required for additional Test Work, design and delivery of long-lead capital items and associated works will impact on timing and capital cost to first production, with the target date for commissioning at Elandsfontein in Q4 2021; and
- Kropz commenced a competitive tender for updating the 2015 feasibility study for the Hinda phosphate project ("Hinda") in the Republic of the Congo ("RoC" or "the Congo").

Key developments post financial year end

Corporate

- Completion of an equity placing to an existing investor and two directors for US\$ 353,595, before expenses (approximately GBP 283,843) ("the Placing") on 1 June 2020;
- The proceeds of the Placing will be used to progress the updated feasibility study at Hinda;
- Completion of an open offer to existing shareholders to raise up to a further US\$ 4 million, before expenses ("Open Offer"). The Open Offer closed on 26 June 2020 and raised US\$ 2,163,639, before expenses (approximately GBP 1,744,870); and
- The proceeds of the Open Offer will be used for general working capital purposes.

Elandsfontein

- Kropz secured a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) from the ARC Fund ("ARC") Kropz's major shareholder ("Equity Facility"), in June 2020 for the development of Elandsfontein. The first drawdown on the Equity Facility occurred on 26 June 2020 for US\$ 10 million;
- Kropz Elandsfontein (Pty) Ltd ("Kropz Elandsfontein") renegotiated and amended the BNP Paribas SA ("BNP") US\$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to 30 September 2024. The amended agreement caters for an interest rate of 6.5% plus US LIBOR, up to project completion (expected to be December 2022) and 4.5% plus US LIBOR thereafter, payable quarterly. The BNP facility remains fully drawn;
- A design review resulting in improved confidence of the costs and schedule required to bring Elandsfontein into production;
- Eriez completed pilot scale test work to confirm and optimise the remedial process flow sheet;

Highlights (continued)

- The Test Work has confirmed that the modified Elandsfontein processing plant can produce a final concentrate to specification of 31% P₂O₅ (68% BPL);
- Front end engineering design was concluded based on the metallurgical results for the modified flotation circuit to arrive at an AACE Class 3 capital cost estimate;
- An engineering, procurement, and construction management (“EPCM”) contract was awarded to DRA Projects SA (Pty) Ltd (“DRA”); and
- Orders have been placed for several long lead items, including stacked screens, flotation cells and cyclones.

Hinda

- Kropz concluded a competitive tender for the updating of the Hinda feasibility study (“Updated FS”);
- RoC government approval of the new terms of reference for the updated Environmental and Social Impact Assessment (“ESIA”); and
- Advancement of the port occupation agreement with the Port Authority of Pointe-Noire.

Aflao

- Kropz decided to divest its interests in Aflao and is currently in consultation with the project’s other shareholders regarding the implementation of this decision, which may include other shareholders taking up the Company’s interest; and
- The Company will not be providing any further funding towards Aflao.

Chairman's Statement

Dear shareholder,

The financial year ended 31 December 2019 represented Kropz's first full year as a publicly listed company. Progress was made with the remedial plan for the Elandsfontein project in South Africa. Test work has shown that the proposed direct-reverse flotation plant configuration at Elandsfontein can produce a final saleable concentrate to the expected specification of 68 per cent. BPL (approximately 31 per cent. P_2O_5). Thanks to the ARC Fund, Kropz's major shareholder, funding has been secured to complete the Elandsfontein project, with commissioning expected in Q4 2021.

Kropz entered into an Equity Facility on 13 May 2020 for US\$ 40 million (maximum of ZAR 680 million). The Equity Facility, together with the US\$ 12 million (approximately ZAR 200 million) already held by Kropz Elandsfontein will be utilised to complete development at Elandsfontein. The Equity Facility was approved by shareholders at the Kropz general meeting on 29 May 2020.

In addition, Kropz Elandsfontein and BNP entered into an amended facility agreement which removes the technical default under the previous BNP facility agreement, extending the first capital repayment date to 31 December 2022. The BNP facility of US\$ 30 million is fully drawn.

Kropz concluded a placing of US\$ 353,595 before expenses (approximately GBP 283,843) in May 2020 and an open offer to existing shareholders on 26 June 2020, which raised US\$ 2,163,639 before expenses (approximately GBP1,744,870). Funds raised in the Placing will be utilised to update the feasibility study for the Hinda project, while funds from the Open Offer will be utilised for general corporate purposes by Kropz.

Management completed a competitive tender for an updated feasibility study for its 100 per cent. owned Hinda Project, aligned with the capacity of the existing road and port facilities. The tender award and associated work programme for Hinda is still subject to securing additional funding. The feasibility study is expected to be completed six months following tender award, subject to relaxation of the current COVID-19 lockdown restrictions in the relevant countries.

As previously announced, Kropz decided to divest its interests in Aflao and is currently in consultation with Aflao's other shareholders regarding the implementation of this decision. Kropz will not be providing any further funding towards Aflao.

The Board is grateful to all the members of the executive team for their efforts over the past nineteen months, to our major shareholder for the further commitment shown by them and to our auditors and advisors. The Board is looking forward to updating shareholders on the progress made at Elandsfontein and Hinda.



Lord Robin William Renwick of Clifton
Non-Executive Chairman

31 July 2020

Strategic Report for the year ended 31 December 2019

Market overview

The fundamentals of the fertilizer and phosphate markets remain robust, driven by the need to feed a growing global population from limited agricultural resources. However phosphate rock prices remained under pressure throughout 2019, as a result of extreme weather conditions, delays in downstream production facilities and geopolitical events. The current rock prices are unsustainable, even for low cost producers.

Market analysts expect that the non-integrated phosphate rock market will turn, with more than 6% nominal annual growth rate expected between 2019 and 2030.

Significant changes in state of affairs

Acquisition and share issues

On 1 November 2018, Kropz made an all share offer to acquire Cominco Resources Limited ("Cominco Resources") in an all share transaction valuing Cominco Resources at US\$ 40 million ("the Offer"). Cominco Resources, through its wholly owned subsidiary, Cominco S.A., currently owns 100 per cent. of Hinda and which is expected to be diluted to 90 per cent. through the participation of the Government of the RoC. The Company received valid acceptances from 71.3 per cent. of the Cominco Resources shareholders and accordingly, on 30 November 2018, at AIM Admission, the Company acquired 71.3 per cent. of Cominco Resources. The Offer remained open for acceptance until 1pm on 30 November 2018 and at closing of the Offer, valid acceptances of a further 27.7 per cent. were received. The acquisition of the further 27.7 per cent. of Cominco Resources was completed on 7 December 2018 taking the total ownership of Cominco Resources to 98.97 per cent.

On 1 February 2019, the Company issued 1,357,080 new ordinary shares of GBP 0.001 each in the capital of the Company at a price of 40 pence per share for a total consideration of GBP 542,832 (equivalent to approximately US\$ 710,000) and 1,116,544 warrants at an exercise price of 40 pence per warrant to certain advisers in lieu of cash fees arising from their involvement with the Company's admission to AIM on 30 November 2018 and the acquisition of Cominco Resources. The new ordinary shares were admitted to trading on AIM on 6 February 2019.

On 19 February 2019, Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding ordinary shares of Cominco Resources held by the remaining Cominco Resources shareholders. Pursuant to the compulsory redemption, Kropz acquired the remaining 482,927 Cominco Resources shares for which a further 803,315 ordinary shares were issued at a price of 40 pence per share for a total consideration of GBP 321,326 (equivalent to approximately US\$ 419,000). The new ordinary shares were admitted to trading on AIM on 22 February 2019. Following the compulsory redemption, the Company holds 100 per cent. of the issued share capital of Cominco Resources.

On 27 June 2019, Kropz announced that it had raised US\$ 4.34 million (GBP 3.41 million), before expenses, by way of a placing of 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 pence per ordinary share. The net proceeds of the placing was used to provide additional working capital and more specifically to progress the programme of works being carried out at its Hinda and Aflao projects. The placing shares were issued and admitted to trading on AIM on 3 July 2019.

After the acquisition of the Cominco Resources minorities, the issue of shares for fees as part of the AIM Admission and the placing shares in June 2019, the issued share capital at 31 December 2019 is 283,406,307 ordinary shares (31 December 2018: 261,881,253).

Strategic Report for the year ended 31 December 2019 (continued)

Projects

Elandsfontein

Elandsfontein hosts the second largest phosphate deposit in South Africa, after Foskor's operation in Phalaborwa. The sedimentary deposit is a free-digging operation and does not involve drilling or blasting activities. Elandsfontein has been developed with the capacity to produce circa 1 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 per cent. of the share capital of Kropz Elandsfontein, which company owns the Elandsfontein project.

In excess of US\$ 120 million had previously been 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 has conducted significant volumes of test work to define a robust circuit, to cater for all ore types present within the Elandsfontein resource. The Test Work has been used to define the process configuration required for the recommencement of production.

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

Activity for the year to 31 December 2019

The focus for the year was the advancement of the definition of the required plant modifications required to achieve the production of a consistent and saleable concentrate grade. Test work was conducted at a number of global test facilities throughout the year, including Mintek in South Africa, and Eriez and Worley in the United States.

Mining and geology

The Elandsfontein resource is defined below, on a total and net attributable basis. No further geological drilling was conducted in 2019.

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

Class	Quantity (Mt)	Grade (%P ₂ O ₅)	Grade (%Al ₂ O ₃)	Grade (%MgO)	Grade (%Fe ₂ O ₃)	Grade (%CaO)	Grade (%SiO ₂)	Contained P ₂ O ₅ (Mt)
Gross								
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
Total	101.1	7.7	1.2	0.2	0.9	10.9	75.9	7.7
Net Attributable (74% attributable to the Company)								
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
Total	74.8	7.7	1.2	0.2	0.9	10.9	75.9	5.7

Plant and processing

Results from Mintek, conducted on bulk samples composited from within the established mining area, supported the development of the reverse flotation circuit, as initially constructed, and then further advocated during 2018. In August 2019, test work on low grade variability samples failed to consistently meet the targeted rock concentrate specification.

Strategic Report for the year ended 31 December 2019 (continued)

Further test work at Eriez, corroborated by results obtained at Mintek and Worley, demonstrated increased robustness offered by the alternative flotation configuration, of direct, followed by reverse ("DR") flotation. Eriez commenced with pilot scale work on two bulk samples.

In parallel with the ongoing test work, DRA adapted the plant design to cater for the new DR circuit and progressed the process design to deliver a revised mechanical equipment list and capital cost estimate, to AACE level 3, with an accuracy range of -20 per cent. to +30 per cent.

Care and maintenance of the existing Elandsfontein infrastructure was routinely conducted in accordance with the approved care and maintenance plan.

Safety, health and environment

As at 31 December 2019, the lost time injury frequency rate, per 200,000 man hours, was 0.179 (31 December 2018 - 0.182). No environmental or safety incidents were reported during the year.

Dewatering of the aquifer also continued, together with the updated ground water monitoring programme.

CSR and sustainability

A five year plan, aligned with the 2018 Mining Charter, was submitted to the South African Department of Mineral Resources. The plan included progressive improvements to obtain compliance on the employment equity and procurement objectives of the South African mining charter scorecard.

Through collaboration with the local community forum, six community development projects were launched in 2019.

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

Following the appointment of a specialist service provider, and extensive community engagement, eighteen start-ups were identified for the SMME development programme, which involved group and individual coaching sessions to develop and boost small businesses. Additional funding was obtained from the provincial government SMME booster fund which enabled five additional participants to be added to the program.

Drivers licence training

Eighty-five members of the community were selected for training and driving lessons, in order to improve individual skills and potential for employment. The focus group was previous mine employees, women and youth from within the community. All candidates successfully passed their learner's licences, and progressed to obtain their driver's licences. As a result of delays introduced by the COVID-19 restrictions, the programme will be completed in Q3 2020.

Recognition of prior learning ("RPL") project

A large number of people within the local community were identified to have work experience in the civil and construction industry, despite not having formal qualifications in the field. The RPL project was launched to provide those who demonstrate their competence to do the work, to be formally assessed by a service provider, earn formal accreditation, and ultimately receive certification as artisans, again to improve potential for future employment.

Disabled support

A list of twenty five disabled people were identified to be recipients of basic equipment and infrastructure modifications for their homes. As at 31 December 2019, mobile equipment had already been handed

Strategic Report for the year ended 31 December 2019 (continued)

over to eight candidates. Completion of the infrastructure modifications have been hampered by restricted access to homes under lockdown and will be completed during the second half of 2020.

Adult matric certification

A need was identified for individuals, previously unable to complete their school careers, to earn their matric certificates. A local service provider was appointed and fifty candidates were selected and started a two year programme to complete their secondary school qualification. Retired teachers from within the community were contracted in to provide the evening classes and the local school and community centre were used as venues for the classes.

Thusong community centre upgrade

The construction to increase the classroom and meeting venues at the local community centre were completed in 2019, with final finishes outstanding. The new facilities were opened and made available to the community in Q1 2020.

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

Post reporting period events

Test work at Eriez has been concluded, confirming the efficiency of the DR circuit at semi-continuous pilot scale level. A bulk sample has also been generated for marketing purposes.

The EPCM contract was awarded to DRA in early 2020. The process flow diagrams and control budget estimate have been frozen, and the procurement process has advanced well with orders being placed for several of the long lead mechanical equipment items required for the new circuit, including the stacked screens, flotation cells and cyclones.

The Department of Mineral Resources ("DMR") issued a directive to Kropz Elandsfontein to upgrade its environmental permits in line with latest legislation. The upgrade process has commenced.

Care and maintenance of the existing Elandsfontein infrastructure is ongoing.

Cominco SA - Hinda

The Hinda project, 100% owned by Cominco S.A., is believed to be one of the world's largest undeveloped phosphate reserves. It consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire in the RoC and includes the Hinda Exploitation Licence that covers 263.68 km² of the coastal basin.

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

The 2015 definitive feasibility study ("2015 DFS") showed positive economic results for a 4.1 Mtpa project. While the 2015 DFS reported a positive economic outcome, the Company is looking to advance an initially reduced capacity project targeting the production of approximately 1.5 Mtpa, to be developed for a significantly lower level of upfront capital investment.

Activity in the year to 31 December 2019

In March 2019, DRA was commissioned to undertake an Option Study, assessing a number of throughput options for Hinda, based on mining either the higher grade weathered ore or the full ore sequence (as per the 2015 DFS). The objectives of the Option Study included:

Strategic Report for the year ended 31 December 2019 (continued)

- Assessment of available port storage options at the Pointe-Noire Port to determine export capacities using existing infrastructure;
- Development of a dynamic model to consider different mine output rates (0.9 to 1.8 Mtpa) of phosphate rock concentrate, trucked from site to port;
- Dynamic techno-economic models, using historic study information to derive capital expenditure and operating cost estimates as a function of throughput and the development of a dynamic techno-economic model to investigate the economic impact of the range of mine output rates, and to conduct a 'like for like' trade-off between the two projects at various throughputs.

The Option Study indicated an existing port export capacity (and therefore initial project capacity) of 1.5 to 1.8 Mtpa.

With the revised mine and plant capacity, and the need to dry concentrate on site, the ESIA requires update and amendment. The terms of reference for the updated ESIA were compiled and lodged with the Ministry of Tourism and Environment. Initial public consultation processes were conducted in November 2019.

A tender process for the completion of the Updated FS, for the reduced export capacity was issued to four global engineering houses.

At the end of 2018, Cominco Resources received the supervisory authority to initiate the process of ratification of the Hinda exploitation convention or mining investment agreement ("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. The process of ratification is currently underway, with the expectation that it will be completed in 2020.

In country, 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 and net attributable basis. No additional drilling was conducted in 2019.

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

Class	Quantity (Mt)	Grade (%P ₂ O ₅)	Grade (%Al ₂ O ₃)	Grade (%MgO)	Grade (%Fe ₂ O ₃)	Grade (%CaO)	Grade (%SiO ₂)	Contained P ₂ O ₅ (Mt)
Gross								
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
Total	675.8	10.0	4.6	3.5	1.7	18.6	47.3	67.7
Net Attributable (90% attributable to the Company)								
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
Total	608.2	10.0	4.6	3.5	1.7	18.6	47.3	60.9

Safety, health and environment

No environmental or safety incidents were reported during the year.

Strategic Report for the year ended 31 December 2019 (continued)

Sustainability

Cominco S.A. continued its interactions with the local communities associated with the Hinda project. The current community projects include:

- A curriculum vitae (“CV”) development project being carried out within the local communities. The CVs would be required by Hinda when recruiting community staff for future operations, but have also assisted in enabling the local workforce to find employment in other economic sectors within the region. The Company has thus far assisted 532 people with their CV development;
- The planting and installation of an orchard with 110 fruit trees was completed for Siala school (the largest village situated on the site access road). A second project, consisting of the planting of 120 fruit trees was initiated in Tchivouba; and
- Ongoing support of education based projects, including support of temporary teachers, financial support for local children, support of libraries at the Hinda college.

Post reporting period events

The tender adjudication for the Updated FS was completed. The Updated FS is expected to be completed within six months of contract award, subject to the re-opening of borders as a result of COVID-19 restrictions.

The Department of Tourism and Environment validated the terms of reference of the updated ESIA.

The RoC Supreme Court has given its approval for the ratification of the MIA, and the file is pending presentation to a Council of Ministers for approval. This process has been delayed by the pandemic, but completion is still expected in 2020.

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 into production and then to develop Hinda, to be primed to take advantage of a recovery in phosphate rock prices.

Business model

The Company’s business model is to source high quality resources at any stage of the development cycle 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 developing some added downstream beneficiation opportunities, where the Board believes shareholder value could be increased.

Objectives and outlook for the year ahead

Objectives

Kropz plc

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

Elandsfontein

Following the award of the EPCM contract to DRA, detailed design and procurement of long lead items are advancing well. The primary focus of the year ahead will be to advance the project execution in line with the project budget and schedule, which will support the commissioning of the mine in Q4 2021.

Strategic Report for the year ended 31 December 2019 (continued)

Hinda

Cominco S.A. will look to commence the Updated FS to define the economics of the proposed development option. It is also envisaged that the expropriation process will commence and a relocation action plan will be initiated to secure the land prior to starting any construction work on site.

Cominco S.A. is expecting the completion of the ratification and formal implementation of the MIA before the end of 2020. It will also look to sign a formal port occupancy agreement to secure the space required for targeted future export operations out of Pointe-Noire.

Outlook

Kropz remains in a development phase, however the Company is confident in the inherent value contained within each of its core assets. Global phosphate rock demand and pricing continues to improve, and the work being carried out at its projects will provide Kropz with invaluable direction for the next phase of its development. The year ahead should provide the Company with a solid foundation for its future development.

Financial review for the year ended 31 December 2019

Summary financial highlights for the year:

- Cash at bank of US\$ 16 million (US\$ 30 million at 30 December 2018);
- Trade and other payables of US\$ 2 million (US\$ 12 million at 31 December 2018); and
- Property, plant, equipment and exploration assets of US\$ 145 million (US\$ 143 million at 31 December 2018).

Key performance indicators

The Company is a mining and exploration entity whose assets comprise exploration assets and an advanced stage phosphate mining project that is not yet at the production stage. Currently, no revenue is generated from operations. The key performance indicators for the Company are therefore linked to the achievement of project milestones and the increase in overall enterprise value.

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 exhaustive, are particularly relevant to the Company and the Group's activities.

Development and operational risks

Elandsfontein and Hinda need to be developed through to commercial production. The operational targets will be subject to the completion of planned operational goals, on time and according to budget, and are dependent on the outcomes and effective support of personnel, systems, procedures and controls.

The successful development of the projects and operation of the mines will depend on the maintenance of good relationships with and the solvency of its key contractors. The Company is undertaking due diligence and review of the financial position of main contractors and suppliers and is engaged in regular communication with key stakeholders to mitigate risk.

Financial risk and commercial viability of future projects

The capital expenditure plans of the Group and the further development and exploration of mineral properties in which the Group holds interests or which the Group may acquire, may depend on the successful outcome of the associated test work and design programmes and upon the Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. No assurance can be given that the Group will be

Strategic Report for the year ended 31 December 2019 (continued)

successful in obtaining any required financing as and when needed on acceptable terms or at all, which could prevent the Group from further development and exploration or additional acquisitions.

Failure to obtain additional financing on a commercial and timely basis may cause the Group to postpone its capital expenditure plans, forfeit its rights in properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's projects may require greater investment than currently expected or suffer delays or interruptions, which could cause cost overruns. Any such delay, interruption or cost overruns in implementing the enlarged Group's planned capital investments could result in the Group failing to complete the projects and a reduction in future production volumes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the projects may not prove to be commercially viable upon completion.

Commodity price risk

The demand for, and market price of, phosphate rock is dependent on supply and demand. Mineral prices fluctuate widely and in recent years global phosphate rock and fertiliser supply growth has out-paced demand leading to a decline in prices. The COVID-19 pandemic announced by the World Health Organization post year end is having a markedly negative impact on commodity prices.

The Company monitors movements in expected supply, demand and prices and analysts forecast an increase in phosphate rock demand.

Political risk

As a consequence of activities in different parts of Africa, the Group may be subject to political, economic and other uncertainties including but not limited to sabotage, terrorism, war or unrest, changes in national laws and policies and exposure to different legal systems.

The Group seeks to establish good working relationships with the relevant national regulatory authorities and monitors changes through partners, news feeds and consultants.

COVID-19 Outbreak

On 23 March 2020, the South African government implemented a nation-wide lockdown ("the Directive") to manage the spread of COVID-19, effective from 26 March 2020. The Directive announced that all non-essential business and activities would be suspended, and people were to stay at home. Although some of the criteria of the Directive have been relaxed, there is not current indication when economic activity will return to normal.

Kropz continues to monitor the situation closely in the Congo. The authorities in the RoC also introduced a number of measures to limit the spread of the virus including the closure of all air, land and maritime borders as of 21 March 2020, and have enforced a strict lockdown in the country.

At the time of this Annual Report, the borders for both countries remain closed.

Kropz is currently unable to quantify the impact of the Directive but the Company will continue to progress all its workstreams as described above. The Elandsfontein project timetable is not currently affected. In line with the Directive, care and maintenance operations have continued on site.

Completion of commissioning of Elandsfontein

Elandsfontein requires a number of modifications to the existing processing facility and successful commissioning in order to recommence operations in Q4 2021. Any delays in the engineering design,

Strategic Report for the year ended 31 December 2019 (continued)

procurement or delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the Company. There can be no guarantee that implementation of the modifications identified by Kropz Elandsfontein and its technical consultants will result in a successful commissioning of the mine. Failure to complete the commissioning of Elandsfontein, or a significant delay in the completion of the commissioning, could result in a material adverse impact on the business, and the financial performance and position of the Group.

The Group places significant importance on its relationship with contactors and other stakeholders and endeavours to use competent people with appropriate skills to manage such risks and where appropriate engages expert contractors.

Requirements for permits and licences

The operations of the Group require licences, permits and in some cases upgrades of existing licences and permits from various governmental authorities. The Group's ability to obtain, sustain or upgrade licences and permits is subject to changes in regulations and policies and is at the discretion of the applicable governmental authorities.

Elandsfontein holds the necessary environmental, water and mining permits and licences to operate. An upgrade to the existing environmental permit has been requested by the DMR, to bring the environmental permit in line with current legislation.

The water use licence ("WUL") is the subject of an administrative appeal which is described in more detail under the heading below. The appeal does not suspend the WUL while it is pending and operations may continue in accordance with those licences.

WUL and associated litigation

There is currently an administrative appeal which is pending before the Tribunal. The appellant is a small group of local residents who have formed a local action group which has opposed the Elandsfontein Project from the outset.

The appeal currently pending before the Water Tribunal seeks the setting aside of Elandsfontein's integrated WUL. The appeal hearing was expected to reconvene on 16 March 2020, however it has been postponed due to the Directive. The Company does not expect the Water Tribunal to be rescheduled until after the Directive has been lifted. Pending the Water Tribunal's decision, there is no legal impediment to the continuation with the water use activities authorised in the integrated WUL.

There can be no guarantee that the administrative appeal will be rejected, or that there will not be future successful actions or appeals against Elandsfontein's WUL. If the ongoing appeal or any future actions were to be successful, this would have a material adverse effect on the business, operations and financial performance of the Group.

The Group employs staff experienced in the requirements of the relevant environmental authorities and seeks through their experience to mitigate the risk of non-compliance with accepted best practice.

Hinda MIA

The Hinda MIA provides a set of protection rights, including the RoC's government guarantees in relation to Hinda's operations, and sets out Cominco S.A.'s and its shareholder's commitments in terms of working programmes and corresponding financing.

Enforcing the Hinda MIA against third parties remains subject to the approbation of the convention by the RoC parliament and the subsequent publication of the approbation law in the Official Gazette. The RoC government

Strategic Report for the year ended 31 December 2019 (continued)

has committed, under the Hinda MIA to provide its best efforts in view of the adoption of the law of approbation of the MIA by the RoC parliament.

The adoption, by the RoC parliament, of the law of approbation of the Hinda MIA and the subsequent publication of the approbation law in the Official Gazette will protect Cominco S.A. against any third party claim aiming at challenging the benefit, by Cominco S.A., of the legal regimes and tax and customs incentives granted to it under the Hinda MIA which go beyond the existing laws. This procedure elevates the Hinda MIA to the rank of a special law and prevents any third party action aiming at challenging Cominco S.A.'s benefit of the conventional regime and incentives which go beyond the existing laws.

In the absence of parliamentary approval, the Hinda MIA would remain binding on the Congo. However, the incentives and regimes granted by the MIA that go beyond existing laws could be disputed in court by third parties. Any failure or delay of the RoC government to approve the Hinda MIA (and the subsequent publication of the approbation law in the Official Gazette), could have a detrimental effect on the business, operations and financial performance of the Company. The Company makes use of skilled consultants and lawyers to engage with government and mitigate risk.

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 34 to 46.

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 new reporting requirement is made in accordance with the new 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.

Strategic Report for the year ended 31 December 2019 (continued)

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, vendor partners and offtake 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.

Who are the key stakeholder groups	Why is it important to engage this group of stakeholders	How did Kropz engage with the stakeholder group	What resulted from the engagement
<p>Equity investors and equity partners</p> <p>All substantial shareholders that own more than 3 per cent. of the Company's shares are listed on page 30 of the Directors' Report.</p> <p>The Company owns 74 per cent. of Kropz Elandsfontein, the owner of the Elandsfontein project in South Africa. 26 per cent. is owned by ARC.</p> <p>The Company owns 70 per cent. of Elandsfontein Land Holdings (Pty) Ltd ("ELH"), the owner of the Elandsfontein mining property in South Africa. 30 per cent. is owned by ARC.</p> <p>Kropz Elandsfontein requires further funding to complete 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 construction of Elandsfontein and 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 9 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>Over the course of 2019, the number of shares held in public hands and the overall daily volume of shares traded has decreased.</p>	<p>The key mechanisms of engagement included:</p> <p>Substantial shareholders</p> <ul style="list-style-type: none"> Both ARC and Kropz International have appointed directors to the board of Kropz; The other existing substantial shareholders have regular meetings with the Chairman, CEO and/or CFO. <p>Investment and equity partners</p> <ul style="list-style-type: none"> ARC have representatives on the Kropz Elandsfontein and ELH boards of directors in terms of the respective shareholder's agreements; Regular board meetings are held with the ARC representatives. <p>Prospective and existing investors</p> <ul style="list-style-type: none"> The AGM and Annual and Interim Reports; Investor roadshows and presentations; One on one investor meetings with the Chairman, CEO and/or CFO; Access to the Company's brokers and advisers; Regular news and project updates; Social media accounts e.g. Twitter @Kropzplc; Site visits for potential cornerstone investors. 	<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 30.</p> <p>The CEO and/or CFO presented at a number of investor roadshows and one on one meetings.</p> <p>Post 31 December 2019, the Company completed the Equity Facility for US\$ 40 million with ARC, and a US\$ 2m further direct investment in the Company, in terms of which ARC will acquire a total further 31per cent. interest in the Company, eventually taking its 49 per cent. interest to over 80 per cent..</p> <p>At the Company's AGM all resolutions were duly passed with at least 90 per cent. votes in favour demonstrating broad shareholder support.</p> <p>At the Company's general meeting held on 29 May 2020 all resolutions were duly passed with at least 85 per cent votes in favour of resolutions proposed.</p>
<p>Debt providers</p> <p>Kropz Elandsfontein has a US\$30 million, fully utilised, debt facility with BNP that commenced in September 2016.</p>	<p>Access to capital is of vital importance to the long-term success of the business to be able to complete the Elandsfontein project. The debt facility was utilised in the construction of Elandsfontein.</p>	<ul style="list-style-type: none"> One on one meetings with the CEO and/or CFO; Regular reporting on project progress; Ad hoc discussions with management, as required; Tripartite discussions between Kropz 	<p>In the period, the Company, Kropz Elandsfontein management, ARC and BNP met on various occasions to discuss and agree an amendment to the facility agreement to cater for the delay in the completion and commissioning of the Elandsfontein project.</p>

Strategic Report for the year ended 31 December 2019 (continued)

	<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>	<p>Elandsfontein, ARC and management to ensure there are no compliance matters outstanding in relation to the facility.</p>	<p>Subsequent to year end, in May 2020, the amended facility agreement was signed, thereby restructuring the first principal debt repayment to 31 December 2022.</p>
<p>Employees</p> <p>The Company has 12 South African, 6 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 a UK resident and the CFO is South Africa-based. The CFO allocates 15 per cent. 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 (see the principal risk section on pages 10 to 13).</p>	<p>General employees</p> <ul style="list-style-type: none"> The Company maintains an open line of communication between its employees, senior management and the Board <p>UK employees</p> <ul style="list-style-type: none"> The CEO and CFO report regularly to the Board; Key members of the executive team are invited to some of the audit and risk committee meetings; There is a formalised employee induction into the Company's corporate governance policies and procedures; There is an HR function in the UK. <p>South African employees</p> <ul style="list-style-type: none"> There is an HR function in South Africa; 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; Staff safety committees continue to operate. <p>Congo employees</p> <ul style="list-style-type: none"> 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. 	<p>UK Employees</p> <p>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>South Africa and Congo employees</p> <p>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> <p>Efforts to focus on plant safety have yielded improvements in safety performance, resulting in no lost time injuries in financial year 2019.</p>
<p>Governmental bodies</p> <p>The Company is impacted by national, regional and local governmental</p>	<p>The Group will only commence production when the development of Elandsfontein is completed in 2022.</p>	<p>The Company provides general corporate presentations regarding the Elandsfontein project development as part of</p>	<p>Meetings have been held with various representatives of the national, regional and local government bodies, to discuss ongoing compliance</p>

Strategic Report for the year ended 31 December 2019 (continued)

organisations in South Africa and the RoC.	Thereafter development of Hinda will be progressed.	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. The Company engages with the relevant departments of the RoC government in order to progress the development of Hinda.	and other regulatory matters relating to mining. To date, the Company has received its South African requisite environmental and land use permits. An upgrade to the existing environmental permit is required at Elandsfontein. In addition, the Company has received the required permits to explore and develop Hinda, subject to securing of funding for these activities. An amendment is required to the ESIA.
Community The local communities adjacent to Elandsfontein in South Africa and Hinda in the RoC.	<p>The community provides social licence to operate.</p> <p>The Company needs to engage with the local community to build 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 will provide employees for Elandsfontein and its contractors during construction and operations.</p> <p>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 these stakeholders as is appropriate.</p>	<ul style="list-style-type: none">• The Company has community liaison officers in South Africa and RoC;• The Company has identified all key stakeholders within the local community in the reporting period;• Elandsfontein management has open dialogue with the local government and community leaders regarding the project development;• Similarly, Hinda management are actively engaging with local government and communities directly impacted by the Hinda project;• The Company has existing CSR 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 construction and then production.	<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> <p>A more formalised community engagement programme will commence in 2020.</p> <p>In addition to the community project described previously, Elandsfontein recently provided food relief to the Hopefield community during the COVID-19 pandemic.</p>
Suppliers During the construction phase, the Company will be using key suppliers under commercial engineering contracts to design, construct and equip the project, all of whom are reputable and established vendors.	<p>Kropz's contractors and suppliers are fundamental to ensuring that the Company can construct the project on time and within budget.</p> <p>Using quality suppliers ensures that as a Business, the high</p>	<ul style="list-style-type: none">• Management continue to work closely with appointed contractors, consultants and suppliers to finalise their contracts and end deliverables;• One on one meetings between management and suppliers;	<p>See page 5 of the strategic report for latest on progress on test work and construction.</p> <p>Smaller local vendors were engaged at a broader level to better align with company objectives.</p>

Strategic Report for the year ended 31 December 2019 (continued)

At a local level, the Company has also partnered with a number of smaller companies, some of whom are independent or family run businesses.	performance targets can be met.	<ul style="list-style-type: none"> • Vendor site visits and facility audits to ensure supplier is able to meet requirements; • Contact with procurement department and accounts payable; • Assist local suppliers to address liquidity challenges. 	
Offtake partners The Company has two commercially priced phosphate rock offtake agreements for Elandsfontein. These offtake agreements are with reputable traders.	The Company is moving toward the construction of its Elandsfontein project and a key metric to sourcing the funding required, was securing offtake agreements for its phosphate rock production. The Company will sell its product under long term offtake agreements.	Once production commences, management will prepare monthly offtake and project reports for the Board.	The Company completed two commercial offtake agreements in 2016.

Section 2: Principal decisions by the board post year end

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.

Convertible loan facility for \$40 million from ARC, entered into on 13 May 2020

ARC and the Company agreed on a US\$ 40 million convertible loan facility (not exceeding a maximum of ZAR 680 million) in May 2020, in order to secure the required funding for the completion of Elandsfontein. The Equity Facility was approved by Kropz's shareholders at a general meeting on 29 May 2020. Draw downs under the Equity Facility are at the sole discretion of Kropz, with the first draw down of US\$ 10 million occurring on 26 June 2020. The next drawdown is anticipated on 10 September 2020, and quarterly thereafter until the facility is fully drawn down in late 2021. Repayment of the convertible loan 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 6.75 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.86 GBP.

The US\$ 40 million Equity Facility is to be used exclusively for the completion of Elandsfontein. To secure the US\$ 40 million funding from ARC, ARC entered into a funding undertaking with Kropz Elandsfontein and secured this funding undertaking with a bank guarantee for US\$ 40 million (not exceeding a maximum of ZAR 680 million) from Rand Merchant Bank in South Africa.

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

Existing shareholders may have conflicting interests with the ARC 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 get Elandsfontein into commercial production. Various funding alternatives had been investigated by the Directors over the last two years, 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 Elandsfontein. Given the extensive security package that BNP has in accordance with their fully drawn US\$ 30 million project finance facility agreement, no security alternative was available for potential new project finance funders.

Strategic Report for the year ended 31 December 2019 (continued)

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\$ 40 million convertible loan facility by the Board. The independent, non-executive directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the interim CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Equity Facility and further funding to the Company in terms of an open offer in June 2020, ARC would increase its interest in the Company by a further approximate 30 per cent., taking its eventual interest in the Company to more than 80 per cent.

The conclusion was that the proposed Equity Facility was fair and reasonable and the transaction was approved by the independent directors and announced on RNS on 13 May 2020.

Proposed divestment by the Company of its equity interest in Aflao, Ghana:

The Board agreed to divest from its 50 per cent. plus 1 share interest in First Gear Exploration Limited ("FGE"), the owner of the Aflao prospecting right. Recent MMI sampling results had not been conclusive and management were of the view that funding would be better channelled to Hinda instead.

The Board agreed to sell the interest to Kropz International, but the minority shareholders in FGE did not provide the necessary consent for the sale of the Company's interest to Kropz International.

Accordingly the Board decided to retain the interest for the time being, with the view to dispose of the interest in due course, but not provide any further funding to the Aflao project.

The decision is aligned with the business model set out in the Company strategy, which is 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.

This Strategic Report was approved by the Board of Directors.



Mark Summers
Interim Chief Executive Officer
31 July 2020

Directors' Report for the year ended 31 December 2019

The Board of Directors ("Board") present their second annual report for Kropz plc ("the Company") and the Kropz plc Group ("Group") for the year ended 31 December 2019.

Directors

The names of directors of the Company in office at any time during or since the end of the 31 December 2019 financial year are:

Lord Robin Renwick of Clifton	Non-executive Chairman
Ian Timothy Harebottle	Chief Executive Officer (resigned 29 February 2020)
Mark Robert Summers	Interim Chief Executive Officer / Chief Financial Officer
Linda Janice Beal	Non-executive director
Michael Albert Daigle	Non-executive director
Michael John Nunn	Non-executive director
Machiel Johannes Reyneke	Non-executive director

Company secretary

Mark Robert Summers

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

Principal activities and significant changes in nature of activities

Kropz is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa and a large-scale phosphate project in the RoC.

Business review and future developments

Details of the business activities and acquisitions made can be found in the Strategic Report on pages 4 to 18 and in Note 3 to the Consolidated Financial Statements respectively.

Operating Results

The net loss after tax of the Company for the year ended 31 December 2019 amounted to US\$ 9 million (period to 31 December 2018 – US\$ 8 million).

Dividends paid or recommended

In respect of the year ended 31 December 2019 no dividends were paid or declared and the directors do not recommend the payment of a dividend (31 December 2018 – no dividends paid or declared).

Directors' Report for the year ended 31 December 2019 (continued)

Capital structure

Details of the Company's share capital, together with details of the movements therein are set out in Note 13 to the Consolidated Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

Significant changes in state of affairs

Please refer to the Strategic Report.

Significant events subsequent to reporting date

Details of the Group's significant events subsequent to the reporting date are included in the Strategic Report.

Financial risks

The Group's operations expose it to different financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. Details of the principal financial risks are set out in Note 32.

Kropz Elandsfontein has a fully drawn down project financing facility with BNP for US\$ 30 million, the full details which are set out in Note 17 of the Annual Financial Statements.

The Group has a risk management programme in place which seeks to manage the impact of these risks on the performance of the Group and it is the Group's policy to manage these risks in a non-speculative manner.

Political contributions and charitable donations

During the period the Company did not make any political contributions or charitable donations.

Annual general meeting ("AGM")

Shareholders have an opportunity at the AGM to meet the Chairman and other directors, to receive an update on the development of the business and to ask questions of the Board. The Group proposes a separate resolution for each substantially different item of business, giving shareholders the opportunity to vote on each issue.

The AGM for the members of the Company will be held on 28 August 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing six ordinary resolutions and three special resolutions as set out in the Notice of AGM to be sent to all shareholders. Further details of the meeting format will be provided in order to adhere to COVID-19 requirements, closer to the set meeting date.

This annual report and financial statements will be presented to shareholders for their approval. The Notice of the AGM will be distributed to shareholders together with the annual report.

External auditors

BDO LLP ("BDO") will be proposed for reappointment as auditors at the AGM.

Employment policies

The Company is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of gender, age, marital status, creed, colour, race or ethnic origin.

Directors' Report for the year ended 31 December 2019 (continued)

Health and safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective, there is a health, safety and environmental team in Kropz Elandsfontein to review the health and safety policy and risks of Kropz Elandsfontein and make recommendations to the Kropz Elandsfontein board. The Group provides training and support to employees and sets demanding standards for workplace safety. The Group had no lost time or reportable incidents or injuries in 2019.

Payment to suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then sought to be made in accordance with the agreement provided the supplier has met the terms and conditions. Under normal operating conditions, suppliers are paid within 30 days of receipt of invoice.

Future developments

The Group will continue its mineral exploration activities with the objective of finding further mineralised resources, particularly the development of the Hinda project. The Group may also consider the acquisition of further prospective exploration interests.

Environmental issues

The Group operates within the resources sector and conducts business activities with respect for the environment while continuing to meet the expectations of government stakeholders, shareholders, employees and suppliers. In respect of the period under review, other than as set out in the Strategic Report, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the Group's operations. The Group holds mining licences in South Africa and the RoC. The Group's operations are subject to environmental legislation in these jurisdictions in relation to its exploration and project development activities.

Information on directors

Lord Renwick of Clifton
Non-executive Chairman
(appointed 26 November 2018)

Lord Renwick of Clifton is a former diplomat and served as British Ambassador to South Africa and the United States. He served subsequently as Deputy Chairman of the merchant bank Robert Fleming, then for fifteen years as Vice Chairman of J.P. Morgan Europe. He has served on many boards including BHP Billiton, Fluor Corporation, SABMiller, British Airways and Harmony Gold. He is currently a director of Stonehage Fleming and Senior Adviser to Richemont.

Interest in Ordinary Shares
and Options

300,000 fully paid Ordinary Shares

Mark Summers
Interim Chief executive officer /
Chief financial officer
(appointed 10 January 2018)

Mark Summers is currently interim CEO and is also responsible for the finance function, administration, structuring of projects, accounting, taxation and corporate finance. Mark joined Kropz Elandsfontein in 2015.

Mark has over 20 years of experience in the mining and resources industry, predominantly in Africa. His extensive experience as a senior mining executive spans various financial positions at a number of companies including Anglo American plc and HSBC plc. Prior positions included Chief Financial Officer of Gemfields plc, Amari Resources Ltd, MDM Engineering Group Ltd and TanzaniteOne Ltd. Mark is a Chartered Accountant and

Directors' Report for the year ended 31 December 2019 (continued)

	holds an Honours Degree in Accounting from the University of Johannesburg.
Interest in Ordinary Shares and Options	414,889 fully paid Ordinary Shares 3,362,609 unlisted ESOP options exercisable at 0.1 pence each expiring 28 November 2028.
Linda Beal Non-executive director (appointed 26 November 2018)	Linda Beal is a Chartered Accountant and was a partner at PwC for over sixteen years. She provided tax advice to natural resources clients on many transactions including IPOs, mergers and group restructurings. She was partner at Grant Thornton for two years to June 2016 where she led the global energy and natural resources group. Linda is currently non-executive director at a number of resource companies. She is co-founder and director of a professional services business network and a business and tax advisor.
Interest in Ordinary Shares and Options	None
Michael (Mike) Daigle Non-executive director (appointed 26 November 2018)	Mike Daigle is a chemical engineer by qualification and has 40 years of experience in the phosphate fertilizer industry. He worked at the Mosaic Company from 2004 until 2016 where he served as a senior director responsible for Research and Development, Production Planning and Business Development in the Phosphates Group, and was also in charge of Mosaic's Joint Venture in Saudi Arabia. Mike also served as VP Operations for IMC Phosphates, and worked for Cargill Fertilizer and Occidental Chemical. He is now a consultant to the Phosphate Industry, where he provides expertise in phosphate mining, fertilizer production, business development, as well as mergers and acquisitions.
Interest in Ordinary Shares and Options	None
Machiel Reyneke Non-executive director (appointed 26 November 2018)	Machiel Reyneke has extensive experience in the insurance industry and financial services sector. In addition to being a director and Head of Mergers and Acquisitions of African Rainbow Capital (Pty) Ltd, the controlling company of ARC, the major shareholder in the Company, since 2015, he also serves as a board member and member of various sub-committees of notable unlisted and listed companies. After completing his articles at PwC, Machiel joined the corporate finance division of Gencor. Three years later he joined Sappi Limited and subsequently he became the finance director of Sappi International. After a period at Gensec Bank as a General Manager looking after strategic projects, he joined Santam Limited in 2001 as finance director, a role which he filled for ten years. Machiel is a Chartered Accountant and holds a B.Com (Hons) from the University of Johannesburg.
Interest in Ordinary Shares and Options	None
Michael (Mike) Nunn Non-executive director (appointed 26 November 2018)	Mike Nunn is a South African mining entrepreneur, investor and philanthropist. Mike has founded and developed various businesses and charitable initiatives, primarily in and related to the mining industry in Africa. Mike is widely recognised as being the pioneer of the global tanzanite industry and was the founder of TanzaniteOne and the Tanzanite Foundation. Subsequent to his involvement in tanzanite, Mike established Amari in 2005, where he developed multiple mining businesses in various

Directors' Report for the year ended 31 December 2019 (continued)

sub-Saharan African countries. These businesses included diamonds, gold, nickel, platinum, coal, manganese and mining engineering services.

Mike established Kropz Elandsfontein with the objective of developing a world class fertilizer business with a sub-Saharan African focus. Mike has more than 25 years of mining experience.

Interest in Ordinary Shares
and Options

54,933,474 fully paid Ordinary Shares

Directors' service contracts

The interim CEO/CFO is employed on an ongoing basis, which may be terminated by either party giving six months' notice.

Non-executive directors were appointed for an initial term of one year in 2018. During 2019 the terms were amended and the non-executive appointments were extended, until terminated by either party on three months' notice.

Indemnifying officers' and directors' and officers' liability insurance

The Company has agreed to indemnify the directors of the Company, against all liabilities to another person that may arise from their position as directors of the Company and the Group, except where the liability arises out of conduct involving a lack of good faith.

Appropriate insurance cover is maintained by the Company in respect of its directors and officers. During the financial period the Company agreed to pay an annual insurance premium of US\$ 59,368 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company.

The insurance premium relates to cover for:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome; and
- Liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

Share dealing code

The Company has adopted a share dealing code for directors and applicable employees (within the meaning given in the AIM Rules for Companies) in order to ensure compliance with Rule 21 of the AIM Rules for Companies and the provisions of the Market Abuse Regulations ("MAR") relating to dealings in the Company's securities. The Board considers that the share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

Remuneration report

This remuneration report sets out information about the remuneration of Kropz's key management personnel for the year ended 31 December 2019. The term 'key management personnel' ("KMP") refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel of the Company and Group;
- Remuneration policy;

Directors' Report for the year ended 31 December 2019 (continued)

- Key terms of employment contracts and remuneration of KMP;
- Non-executive director arrangements;
- KMP remuneration; and
- Share-based payments ("SBP") granted as compensation to KMPs.

The report of the Remuneration Committee is on page 49.

Key management personnel of the Company and the Group

This report details the nature and amount of remuneration for the key management personnel of the Group. The KMP during the year were:

Executive directors

Ian Harebottle	Chief Executive Officer (appointed 28 March 2018 and resigned 29 February 2020)
Mark Summers	Interim Chief Executive Officer, Chief Financial Officer and company secretary (appointed 10 January 2018)

Non-executive directors

Lord Robin Renwick of Clifton	Non-executive chairman (appointed 26 November 2018)
Linda Beal	Non-executive director (appointed 26 November 2018)
Mike Daigle	Non-executive director (appointed 26 November 2018)
Mike Nunn	Non-executive director (appointed 26 November 2018)
Machiel Reyneke	Non-executive director (appointed 26 November 2018)

Executives of Kropz Elandsfontein and the Company

Jan Steenkamp	Managing director – Kropz Elandsfontein (appointed 14 February 2019)
Michelle Lawrence	Chief Operating Officer – Kropz Elandsfontein (appointed 13 January 2014)

Remuneration policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Remuneration Committee makes recommendations to the Board in relation to the composition of the Board, the appointment of the CEO / CFO and succession planning, and remuneration for directors and senior executives. The Board endeavours with its remuneration policy to attract and retain high calibre executives and directors to run and manage the Group within the constraints of the financial position of the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain high calibre executives and reward them for performance that results in long-term growth in shareholder wealth. Executives may also be entitled to participate in the employee share and option arrangements.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice

Directors' Report for the year ended 31 December 2019 (continued)

is sought when required. During the 31 December 2018 period, independent external advice was sought on appropriate remuneration of directors to better reflect market practice for comparable companies listed on AIM. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the AGM. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. The Board adopted the Kropz executive long term incentive plan aiming to create a stronger link between employee performance and reward and increasing shareholder value by enabling the participants of the plan to have a greater involvement with, and share in the future growth and profitability of the Company.

Key terms of employment contracts and remuneration of KMP

Key terms of employment contracts for the financial year ending 31 December 2019

Name	Base salary	Base salary US\$ *	Term of agreement	Notice period
Ian Harebottle (outgoing CEO) ⁽ⁱ⁾	GBP 240,000	316,623	No fixed term	3 months
Mark Summers (interim CEO / CFO) ⁽ⁱⁱ⁾	ZAR 3,301,200 and GBP 31,440	235,128 and 41,478	No fixed term	6 months
Jan Steenkamp (MD) ⁽ⁱⁱⁱ⁾	ZAR 2,459,750	175,196	No fixed term	1 month
Michelle Lawrence (COO) ^(iv)	ZAR 2,913,750	207,532	No fixed term	1 month

* Converted to US\$ at the 31 December 2019 GBP exchange rate of 0.758 and ZAR exchange rate of 14.040.

(i) Ian Harebottle resigned on 29 February 2020.

(ii) Mark Summers was appointed interim Chief Executive Officer on 1 March 2020.

(iii) Jan Steenkamp is the Managing Director of Kropz Elandsfontein and receives a remuneration of ZAR 25,000 (US\$ 1,780) per day.

(iv) Michelle Lawrence is the Chief Operating Officer for Kropz Elandsfontein.

Key terms of employment contracts for the financial period ending 31 December 2018

Name	Base salary	Base salary US\$ *	Term of agreement	Notice period
Ian Harebottle (CEO) ⁽ⁱ⁾	GBP 360,000 ⁽ⁱ⁾	458,599	No fixed term	3 months
Mark Summers (CFO)	ZAR 3,060,000 and GBP 31,440	212,766 and 40,051	No fixed term	6 months
Michelle Lawrence (COO) ⁽ⁱⁱ⁾	ZAR 2,376,000	165,207	No fixed term	1 month
Nicola Taylor ⁽ⁱⁱⁱ⁾	GBP 36,000	45,860	No fixed term	1 month

* Converted to US\$ at the 31 December 2018 GBP exchange rate of 0.785 and ZAR exchange rate of 14.382.

(i) Ian Harebottle's remuneration was reduced to GBP 240,000 per annum from 1 March 2019.

(ii) Michelle Lawrence is the Chief Operating Officer for Kropz Elandsfontein.

(iii) Nicola Taylor resigned as a director of the Company on 28 September 2018 but remained an employee of the Company.

Non-executive director arrangements

Non-executive directors receive a Board fee and fees for chairing Board committees (see table below). They do not receive performance-based pay or retirement allowances but do receive additional fees for chairing Board committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base annual fees were set with effect from 26 November 2018 and remained unchanged (other than as noted below) during the 2019 financial year and up to the date of this report.

Directors' Report for the year ended 31 December 2019 (continued)

	Base fees per annum GBP	Base fees per annum US\$*
Chairman	40,000	52,770
Non-executive director	30,000	39,578
Additional Fees:		
Audit and Risk Committee ("Audit Committee") – chairperson (Linda Beal)	5,000	6,596
Audit Committee – member	-	-
Remuneration Committee – chairperson (Lord Robin Renwick) ⁽ⁱ⁾	2,500	3,298
Remuneration Committee – member	-	-

* Converted to US\$ at the 31 December 2019 exchange rate of 0.758.

All non-executive directors enter into a letter of appointment with the Company. The letter summarises the Board's policies and terms, including remuneration, relevant to the office of director. Directors with special responsibilities are disclosed within the various committee reports in the Corporate Governance Report on pages 34 to 46.

KMP remuneration

The remuneration for each director and KMP of the Group during the year to 31 December 2019 was as follows:

Name	Short-term benefits			Total US\$*
	Base salary ⁽ⁱ⁾ US\$*	Bonus US\$*	Options ⁽ⁱⁱ⁾ US\$*	
Executive directors				
Ian Harebottle	388,742	-	58,131	446,873
Mark Summers	292,385	-	58,131	350,516
	681,127	-	116,262	797,389
Non-executive directors				
Lord Robin Renwick ⁽ⁱⁱⁱ⁾	56,618	-	-	56,618
Linda Beal	50,869	-	-	50,869
Mike Daigle	39,578	-	-	39,578
Machiel Reyneke ^(iv)	-	-	-	-
Mike Nunn ^(iv)	-	-	-	-
	147,065	-	-	147,065
Total directors' remuneration	828,192	-	116,262	944,454
Executives				
Jan Steenkamp ^(v)	175,196	-	-	175,196
Michelle Lawrence	188,381	-	25,329	213,710
	363,577	-	25,329	388,906

* Converted to US\$ at the 31 December 2019 GBP exchange rate of 0.758 and ZAR exchange rate of ZAR 14.040.

(i) Includes UK NIC and UK payroll tax.

(ii) Options as share-based payment arrangements under the ESOP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.

(iii) At his request, Lord Robin Renwick's fees were reduced to GBP 40,000 per annum from 1 January 2019, with him assuming responsibility for his travel and accommodation costs.

(iv) Machiel Reyneke and Mike Nunn receive no director fees.

(v) Jan Steenkamp was appointed Managing Director of Kropz Elandsfontein on 14 February 2019.

Directors' Report for the year ended 31 December 2019 (continued)

The remuneration for each director and KMP of the Group during the period from incorporation on 10 January 2018 to 31 December 2018 was as follows:

to 31 December 2016 was as follows:

Name	Short-term benefits			Total US\$*
	Base salary ⁽ⁱ⁾ US\$*	Bonus US\$*	Options ⁽ⁱⁱ⁾ US\$*	
Executive directors				
Ian Harebottle	341,589	-	-	341,589
Mark Summers	39,035	10,430	-	49,465
	380,624	10,430	-	391,054
Non-executive directors				
Lord Robin Renwick ⁽ⁱⁱⁱ⁾	7,961	-	-	7,961
Linda Beal	3,185	-	-	3,185
Mike Daigle	3,185	-	-	3,185
Machiel Reyneke ^(iv)	-	-	-	-
Mike Nunn ^(iv)	-	-	-	-
	14,331	-	-	14,331
Total directors' remuneration	394,955	10,430	-	405,385
Executives				
Michelle Lawrence	22,273	10,430	-	32,703
Nicola Taylor ^(v)	42,043	-	-	42,043
	64,316	10,430	-	74,746

* Converted to US\$ at the 31 December 2018 GBP exchange rate of 0.785 and ZAR exchange rate of ZAR 14.382.

- (i) Includes UK NIC and UK payroll tax.
- (ii) Options as share-based payment arrangements under the ESOP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.
- (iii) At his request, Lord Robin Renwick's fees were reduced to GBP 40,000 per annum from 1 January 2019, with him assuming responsibility for his travel and accommodation costs.
- (iv) Machiel Reyneke and Mike Nunn receive no director fees.
- (v) Nicola Taylor resigned as a director of the Company on 28 September 2018 but remains an employee of the Company.

SBP granted as compensation to KMP

Employee Share Option Plan and Long-Term Incentive Plan

Kropz plc 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 which will be used to grant awards on Admission of the Company to AIM and following Admission (the "ESOP") – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- An executive long-term incentive plan (the "LTIP") – 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").

The incentive plans will be used to recruit, retain and incentivise key executives and employees. Although the ESOP will be used primarily to grant awards on Admission, awards may be granted pursuant to the ESOP following Admission up to and including the second anniversary of Admission. The LTIP will be used to grant awards following Admission and will be the main incentive plan used to grant awards following Admission.

Directors' Report for the year ended 31 December 2019 (continued)

Each ESOP and LTIP option converts into one ordinary share of Kropz plc upon exercise. No amounts are paid or payable by the recipient on receipt of the option, aside from when the option is exercised. The options carry neither rights to dividends nor voting rights. Options may be exercised from time to time as stipulated in the award conditions prior to their expiry. Each employee performance right will be converted into one ordinary share of Kropz plc upon vesting conditions being met. No amounts are paid or payable by the recipient on receipt of the performance rights. The performance rights carry neither rights to dividends nor voting rights.

The options granted expire as determined by the Board based on a recommendation by the Remuneration Committee, or immediately following the resignation of the executive or senior employee, whichever is the earlier.

Summary information for options as SBP arrangements in existence at 31 December 2019

During the financial year ended 31 December 2019, no ESOP options were issued as SBP. ESOP options outstanding at 31 December 2019 were as follows:

Name	Expiry date	Exercise price (pence)	Number of options
Ian Harebottle ⁽ⁱ⁾	28 November 2028	0.1	3,362,609
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			8,190,355

(i) Ian Harebottle resigned on 29 February 2020 and the ESOP options awarded to him lapsed and expired.

Summary information for options as SBP arrangements in existence at 31 December 2018

ESOP options were issued as SBP during 2018 and were outstanding at 31 December 2018:

Name	Expiry date	Exercise price (pence)	Number of options
Ian Harebottle	28 November 2028	0.1	3,362,609
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			8,190,355

The performance conditions attaching to the ESOP award are as follows:

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

Awards shall vest on a straight-line basis between each of the above targets. Participants of the ESOP and LTIP awards need to remain employed by Kropz in order to exercise options.

The Remuneration Committee will determine whether the performance condition has been met and to the extent performance conditions have not been achieved on or before the fifth anniversary of the date of grant.

There was no exercise of options during the year. Options were valued using a Monte Carlo simulation model and are to be expensed over the 60 month vesting period.

Directors' Report for the year ended 31 December 2019 (continued)

No LTIP awards were made during the year ended 31 December 2019 (31 December 2018 – none).

Shares issued on exercise of options

No shares were issued from the exercise of options during the year ended 31 December 2019 (31 December 2018 – none).

Shareholdings (ordinary shares)

The numbers of ordinary shares in the Company held during the financial year by KMP, including shares held by entities they control, are set out below.

Name	Balance – 1 January 2019	Received as remuneration	Options exercised	Other	Balance – 31 December 2019
Mike Nunn	51,587,817	-	-	3,345,657 ⁽ⁱ⁾	54,933,474
Ian Harebottle	1,674,456	-	-	-	1,674,456
Mark Summers	334,889	-	-	-	334,889

- (i) Mike Nunn's beneficial interest in Ordinary Shares is held through Kropz International. Kropz International subscribed for US\$ 750,000 in new ordinary shares at a price of 17.6 pence per ordinary share in terms of the placing announced on 27 June 2019.

The numbers of ordinary shares in the Company held during the period ended 31 December 2018 by KMP, including shares held by entities they control, are set out below.

Name	Balance – 1 January 2018	Received as remuneration	Options exercised	Other	Balance – 31 December 2018
Mike Nunn	-	-	-	51,587,817 ⁽ⁱ⁾	51,587,817
Ian Harebottle	-	-	-	1,674,456 ⁽ⁱⁱ⁾	1,674,456
Mark Summers	-	-	-	334,889 ⁽ⁱⁱ⁾	334,889

- (i) Mike Nunn's beneficial interest in ordinary shares is held through Kropz International. Kropz International's interest arose from the vend-in of the share interests of Kropz International in Kropz SA, Kropz Elandsfontein, ELH, First Gear Exploration and pre-Admission funding from Kropz International in the form of a convertible loan note. Kropz International provided US\$ 2.5 million in funding pre the Admission of the Company onto the AIM market of the London Stock Exchange which converted into ordinary shares upon Admission.
- (ii) Arising from pre-Admission funding provided by Ian Harebottle and Mark Summers in 2018.

Other than as indicated above, no other KMP held any ordinary shares in the Company during the financial year.

Holdings of equity warrants over equity instruments

The numbers of equity warrants over ordinary shares in the Company held during the financial year are set out below.

During the year ended 31 December 2019, 558,272 additional warrants were issued to each of H&P Advisory Limited and Mirabaud Securities Limited. These warrants were issued on the same terms as the warrants

Directors' Report for the year ended 31 December 2019 (continued)

issued to the same parties in December 2018. Total warrants outstanding at the end of 31 December 2019 were as follows:

Name	Expiry date	Exercise price (pence)	Number of warrants
H&P Advisory Limited	30 November 2020	40	600,000
Mirabaud Securities Limited	30 November 2020	40	600,000
			1,200,000

During the period ended 31 December 2018, the following warrants were issued and were outstanding at the end of 31 December 2018:

Name	Expiry date	Exercise price (pence)	Number of warrants
H&P Advisory Limited	30 November 2020	40	41,728
Mirabaud Securities Limited	30 November 2020	40	41,728
			83,456

Other transactions with KMP during the year ended 31 December 2019

No KMP has entered into a material contract (apart from employment and noted below) with the Company and the Group. No amount of remuneration is outstanding at 31 December 2019.

There were no other transactions with KMP and related parties.

Substantial shareholdings

The Directors are aware of the following substantial interests or holdings in 3 per cent. or more of the Company's ordinary shares as at 30 June 2020.

Major Shareholder	No of Shares	% of Issued Share Capital
ARC Fund	295,281,998	66.5%
Kropz International S.à.r.l	54,933,474	12.4%
R & H Trust Co (Guernsey) Limited	18,763,286	4.2%
Ackerman Group Holdings Limited	18,073,368	4.1%
Teh Hond Eng Investments Holding	15,637,012	3.5%

Statement of disclosure of information to auditors

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Dialogue with Shareholders

All investors

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. General communication with shareholders is co-ordinated

Directors' Report for the year ended 31 December 2019 (continued)

by the Chairman, CEO and/or CFO. In addition, the independent directors provide a further avenue for engagement with investors.

The Company publishes on its website the following information, which the Board believes plays an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- Updated investor presentations;
- The Company's most up to date technical reports on each of its projects;
- All annual and interim financial statements going back to the Company's original inception in 2018;
- All Company press releases issued under the RNS service going back to the IPO on AIM in 2018;
- Details on the proxy voting results of all resolutions put to a vote at the most recent AGM; and
- Contact details including a dedicated email address info@kropz.com through which investors can contact the Company.

The Company's AGM will be held following the publication of its annual results and all shareholders will be advised of the meeting format closer to the time, given the current COVID-19 restrictions. Kropz included in the 2019 AGM documents a "deemed consent" letter to move to a default setting that all statutory documents be supplied to shareholders in electronic form and via the website rather than in hard copy. The Company believes that not only is this a more cost efficient and environmentally friendly option, but it also better serves private shareholders who may hold their shares in nominee accounts and hence not be entitled to direct receipt of these documents.

In accordance with the Pre-Emption Group's COVID-19 announcement dated 1 April 2020, the Company has proposed to seek renewal of the directors' existing power to allot shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the directors would otherwise consider necessary, or otherwise approximately 20 per cent. of the Company's issued share capital. The Board will be involved in any allocation process and where possible, the share issue shall be made on a soft pre-emptive basis.

Institutional investors

In general, the Board maintains a regular dialogue with its major institutional investors, providing them with such information on the Company's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of the relevant legislation. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and year-end financial results.

The Company has had increased contact with both current and prospective institutional shareholders as part of the fund-raising initiatives during the year under review.

Private investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

As the Company is too small to have a dedicated investor relations department, the CEO is responsible for reviewing all communications received from shareholders and determining the most appropriate response. The CEO works in conjunction with the Company's PR advisers to facilitate engagement with its shareholders.

Directors' Report for the year ended 31 December 2019 (continued)

Board review

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the CEO, Chairman and the Company's brokers. Any significant investment reports from analysts are also circulated to the Board.

Going concern

During the year ended 31 December 2019, the Group incurred a loss of US\$ 9 million (period to 31 December 2018 – US\$ 8 million) and experienced net cash outflows from operating activities of US\$ 15 million (31 December 2018 – US\$ 7 million). Cash and cash equivalents totalled US\$ 16 million as at 31 December 2019 (31 December 2018 – US\$ 30 million). The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

In May 2020, Kropz entered into a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Equity Facility is expected to bring the Company's Elandsfontein project into production in Q4 2021. The equity facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the US\$ 40 million and ZAR 200 million currently locked up by BNP in the accounts of Kropz Elandsfontein. In due course the ZAR 200 million ringfenced by BNP will be released and utilised towards funding the construction and completion of Elandsfontein. Kropz Elandsfontein renegotiated and amended the BNP US\$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to 30 September 2024. Entering into and closing the amended facility agreement with BNP removed the technical default announced to shareholders in February 2020.

In addition, the Group raised US\$ 353,595, before expenses (approximately GBP 283,843) from an equity placing to an existing investor and two directors on 1 June 2020 and raised a further US\$ 2,163,639, before expenses (approximately GBP 1,744,870) from an open offer to existing shareholders on 26 June 2020.

Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. 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-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The directors have reviewed the overall position and outlook in respect of the matters identified above and have prepared a cash flow forecast for the Company and Group which indicates that the Company will need to raise further funds in the second half of 2021 for working capital purposes and to progress the Hinda project. Management have been successful in raising funds in the past and the directors consider it to be appropriate to prepare the Company and Group financial statements on a going concern basis. However, there is no certainty that adequate funds will be available when needed and the COVID-19 pandemic may adversely impact on the ability of the Group to raise the necessary funding. 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.

Directors' Report for the year ended 31 December 2019 (continued)

Subsequent events

Disclosures in relation to events after 31 December 2019 are shown in Note 35 to the Consolidated Financial Statements.

This Directors Report was approved by the Board of directors.



Mark Summers
Interim Chief Executive Officer
31 July 2020

Corporate Governance Report

The Company is registered in England and Wales and listed on the AIM market of the London Stock Exchange.

Introduction

The Board is committed to the principles of good corporate governance and to maintaining high standards and best practice of corporate governance. The directors have developed corporate governance practices which are suitable for the size and nature of the Company and have adopted the Quoted Companies Alliance Corporate Governance Code (2018 Edition) (the “Code”). The directors also note that with effect from 28 September 2018, all AIM companies must provide details on their website and in their annual report of the recognised corporate governance code that the Company has decided to apply, how it complies with that Code and, where it departs from this, an explanation of the reasons for doing so. To the extent that the Company departs from any of the provisions of the Code it will provide details on its website (www.kropz.com) as required.

The Chairman is responsible for leading the Board to ensure that Kropz has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group over the medium to long term. The Board is conscious that the corporate governance environment is constantly evolving and the charters and policies under which it operates its business are monitored and amended as required.

The Code sets out ten principles and we have outlined below the Group’s application of the Code.

The Board considers that the Company has complied, from 1 January 2019 to 31 December 2019, with all the provisions of the Code except as follows:

- The Remuneration Committee comprises the chairperson of the committee, two independent non-executive directors and two non-independent non-executive directors. The Chairman is considered suitable to fulfil this position considering the size of the Board and the Company and his prior experience;
- Machiel Reyneke, a non-independent non-executive director is on the Audit Committee in view of his financial experience and experience on other listed company audit committees; and
- No formal assessment of the Board performance has been carried out as the Company’s shares were only admitted to trading on AIM in November 2018.

The following section provides an explanation as to why the Company has departed from certain guidelines.

Establish a strategy and business model to promote long-term value for shareholders

The Board has set out the vision for Kropz for the medium to long term. The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets and corporate actions. The Company holds Board meetings at least three times each financial year and at other times as and when required. Detailed disclosure on the Company’s business model and strategy is disclosed in the AIM Admission Document on the Company’s website and in the Strategic Report on pages 4 to 18.

Seek to understand and meet shareholder needs and expectations

Kropz has a Board with experience in understanding the needs and expectations of its shareholder base. It supplements this with professional advisers including public relations company, nominated adviser and brokers who provide advice and recommendations in various areas of its communications with shareholders. Kropz engages with its shareholders through its website which has been designed as a hub to provide information to shareholders and provides regular updates to the market via the Regulatory News Service.

Corporate Governance Report (continued)

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Key resources and relationships on which the business relies are its customers, workforce, suppliers, shareholders, local community and elements of the regulatory framework.

Employees are encouraged to raise any concerns they may have with relevant management. Grievance mechanisms are in place for employees.

Feedback from potential customers is at present informal. The Company will contact customers on an ad hoc basis once sales commence and provide verbal feedback where necessary to senior management.

Engagement with the local community is carried out at site, by means of monthly meetings with the established Community Forums. Grievance mechanisms are in place for the community, with Company contact details displayed at site access points.

Feedback from regulators is provided via the regular framework of reporting and inspections that are carried out.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Kropz recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational or reputational impact. A summary of the key risks is set out in the Strategic Report on pages 4 to 18 and is provided in the AIM Admission Document on the website. The Company's system of risk identification, supported by established governance controls, ensures it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all its stakeholders.

The Company's key internal controls procedures are:

- Prioritised risk register - risks are evaluated to establish root causes, financial and non-financial impacts and likelihood of occurrence. Consideration of risk impact and likelihood is taken into account to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these are identified and responsibilities assigned. The Company's management is responsible for monitoring the progress of actions to mitigate key risks. Key risks are reported to the Audit Committee and at least once a year to the full Board;
- Preparation of annual cash flow projections for approval by the Board and ongoing review of expenditure and cash flows;
- Establishment of appropriate cash flow management and treasury policies for the management of liquidity, currency and credit risk on financial assets and liabilities;
- Regular management meetings to review operating and financial activities; and
- Recruitment of appropriately qualified and experienced staff to key financial and operational management positions.

Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board currently comprises one executive director, Mark Summers, and five non-executive directors, including the Chairman. The Chairman, Lord Robin Renwick of Clifton, and two of the non-executive directors, Linda Beal and Mike Daigle are considered to be independent. The remaining two non-executive directors, Mike Nunn and Machiel Reyneke, are not considered to be independent. Mike Nunn is a major shareholder of the Company, and Machiel Reyneke is the Board representative of Kropz Elandsfontein's BEE partner and the Company's largest shareholder, ARC.

Corporate Governance Report (continued)

Since AIM Admission in November 2018, the Company has the following appropriately constituted committees, each with formally delegated duties and responsibilities set out in respective written terms of reference:

- Audit Committee; and
- Remuneration Committee.

Lord Robin Renwick of Clifton, the Chairman of the Company, is also Chairman of the Remuneration Committee. Lord Renwick is independent in character, and suitable to fulfil this position considering the size of the Board and the Company and his prior experience. Lord Renwick is supported by the two other independent non-executive directors as well as Mike Nunn and Machiel Reyneke who are not considered independent but are on the committee due to their previous experience and the fact that they are aligned with shareholders' interests by virtue of their representative holdings in the Company. Machiel Reyneke was included onto the Remuneration Committee as of February 2019.

Machiel Reyneke, a non-independent non-executive director, is on the Audit Committee. Machiel's financial experience and representation on a number of other listed company audit committees deem him suitably qualified to serve on the Audit Committee.

The Board is responsible for the overall leadership and effective management of the Company, setting the Company's values and standards and ensuring maintenance of a sound system of internal control and risk management. The Board is also responsible for approving Company policy and its strategic aims and objectives as well as approving the annual operating and capital expenditure budgets. The Board supports the concept of an effective Board leading and controlling the Company and believes the Company has a well-established culture of strong corporate governance and internal controls that are appropriate and proportional, reflecting the Company's culture, size, complexity and risk.

All directors bring a wide range of skills and international experience to the Board. The non-executive directors hold meetings without the executive directors present. The Chairman is primarily responsible for the working of the Board of the Company. The CEO is primarily responsible for the running of the business and implementation of the Board strategy and policy. The CEO is assisted in the managing of the business on a day-to-day basis by the CFO and other management.

The Board has a formal schedule of regular meetings where it approves major decisions and utilises its expertise to advise and influence the business. The Board will meet on other occasions as and when the business demands. During the financial year under review the Board met on six occasions.

The Board is supplied with appropriate and timely information in order to discharge its duties. The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. All directors have access to the advice and services of the company secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Independent professional advice is also available to directors in appropriate circumstances.

A detailed agenda is established for each scheduled meeting and appropriate documentation is provided to directors in advance of the meeting. Regular Board meetings provide an agenda that will include reports from the CEO, reports on the performance of the business and current trading, and specific proposals where the approval of the Board is sought. Areas discussed include, amongst others, matters relating to the AIM listing, placing and funding arrangements, the South African Mining Charter and mining legislation, RoC Mining Convention and the strategic direction of the Company. Minutes of the meetings from committees of the Board are circulated to all members of the Board, unless a conflict of interest arises, to enable all directors to have oversight of those matters delegated to committees.

Corporate Governance Report (continued)

In accordance with the Company's Articles of Association, the longest serving director must retire at each AGM and each director must retire in any three-year period, so that over a three-year period all directors will have retired from the Board and been subject to shareholder re-election. All directors have access to the advice and services of the company secretary and other independent professional advisers as required. Non-executive directors have access to key members of staff and are entitled to attend management meetings in order to familiarise themselves with all aspects of the Company. It is the responsibility of the Chairman and the company secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Board and committee meetings attendance

Three Audit Committee meetings were held during the year under review. No Remuneration Committee meetings were held during the year.

During the year there were six Board meetings by the directors of the Company.

Attendance of directors and committee members at Board and committee meetings held during the year is set out in the table below.

	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Lord Robin Renwick of Clifton	6/6	3/3	-
Ian Harebottle	6/6	-	-
Mark Summers	6/6	-	-
Linda Beal	6/6	3/3	-
Mike Daigle	6/6	-	-
Mike Nunn	5/6	-	-
Machiel Reyneke	6/6	3/3	-

Division of responsibilities

The division of responsibilities between the non-executive Chairman and the CEO is clearly defined in writing. However, they work closely together to ensure effective decision making and the successful delivery of the Group's strategy.

The CEO

The CEO is responsible for the running of the Group's business for the delivery of the strategy for the Group, leading the management team and implementing specific decisions made by the Board to help meet shareholder expectations. He also takes the lead in strategic development, by formulating the vision and strategy for the Group.

The CEO reports to each Board meeting on all material matters affecting the Group's performance. Given the structure of the Board and the fact that the Chairman and CEO roles are fulfilled by two separate individuals, the Board believes that no individual or small group of individuals can disproportionately influence the Board's decision making.

Corporate Governance Report (continued)

The Chairman

The Chairman leads the Board, ensuring constructive communications between the Board members and that all directors are able to play a full part in the activities of the Company. He is responsible for setting Board agendas and ensuring that Board meetings are effective and that all directors receive accurate, timely and clear information.

The Chairman officiates effective communication with shareholders and ensures that the Board understands the views of major investors and is available to provide advice and support to members of the executive team.

Non-executive directors

There are currently five non-executive directors (including the Chairman), of which three are independent non-executive directors. The role of the non-executive directors is to understand the Group in its entirety and constructively challenge strategy and management performance, set executive remuneration levels and ensure an appropriate succession planning strategy is in place. They must also ensure they are satisfied with the accuracy of financial information and that thorough risk management processes are in place. The non-executive directors also assist the Board with issues such as governance, internal control, remuneration and risk management. No non-executive directors are participants in any share option plans of the Company.

Effectiveness

Composition of the Board

The Board consists of the Non-Executive Chairman, the interim CEO/CFO, two non-executive directors and two further independent non-executive directors. The names, skills and short profiles of each member of the Board, are set out on pages 21 to 23. Each year the Board considers the independence of each non-executive director in accordance with the Code.

The Board considers Lord Robin Renwick of Clifton, Linda Beal and Mike Daigle to be independent as they are not involved in any executive capacity, have no other or material business relationships with the Company, have no material investment in the Company nor are associated with any such investor and have no close family or other business relationships with the Company or any of its directors or senior executives.

Non-executive directors were appointed for an initial term of one year in 2018. During 2019 the terms were amended and the non-executive appointments were extended, until terminated by either party on three months' notice.

To ensure that they clearly understand the requirements of their role, the Company has a letter of appointment in place with each non-executive director. Employment contracts are entered into with executive directors and senior executives so that they can clearly understand the requirements of the role and what is expected of them.

Commitment

Each director commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend Board meetings and join ad hoc Board calls and offer availability for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However all Board members appreciate the need to commit additional time in exceptional circumstances.

Corporate Governance Report (continued)

Non-executive directors are required to disclose prior appointments and other significant commitments to the Board and are required to inform the Board of any changes to their additional commitments. Details of the non-executive directors' external appointments can be found on pages 21 to 23.

Before accepting new appointments, non-executive directors are required to obtain approval from the Chairman and the Chairman requires the approval of the whole Board. It is essential that no appointment causes a conflict of interest or impacts on the non-executive director's commitment and time spent with the Group in their existing appointment.

Details of executive directors' service contracts and of the Chairman's and the non-executive directors' appointment letters are given on page 25. Copies of service contracts and appointment letters are available for inspection at the Company's registered office during normal business hours and at the AGM.

Development

All newly appointed directors are provided with an induction programme which is tailored to their existing skills and experience, legal update on directors' duties and one on ones with members of the senior management team. The Board is informed of any material changes to governance, laws and regulations affecting the Group's business.

Information and support

All directors have access to the advice and services of the company secretary and each director and each Board committee member may take independent professional advice at the Company's expense, subject to prior notification to the other non-executive directors and the company secretary.

The appointment and removal of the company secretary is a matter for the Board as a whole. The company secretary is accountable directly to the Board through the Chairman.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board has been assembled to allow each director to contribute the necessary mix of experience, skills and personal qualities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. Full details of the Board members and their experience and skills are set out on pages 21 to 23.

Together the Board provide relevant mining and fertilizer sector skills, the skills associated with running large public companies, African experience and technical and financial qualifications to assist the Company in achieving its stated aims. The Board comprises UK, US and South African directors and has one female director.

The directors keep their skillsets up to date as required through the range of roles they perform with other companies and consideration of technical and industry updates by external advisers. The directors receive regular briefing papers on the operational and financial performance of the Company from the executives and senior management.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Appointments to the Board

The Company has a Remuneration Committee, the composition of which is set out on page 43.

Corporate Governance Report (continued)

The Remuneration Committee is responsible for maintaining a board of directors that has an appropriate mix of skills, experience and knowledge to be an effective decision-making body, ensuring that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance, considering and recommending Board candidates for election or re-election and reviewing succession planning.

The Remuneration Committee undertakes a detailed selection process as per the recruitment and diversity policy to appoint or re-appoint a director to the Board. Included in this process are appropriate reference checks which include but are not limited to character reference and bankruptcy to ensure that the Board remains appropriate for that of an AIM quoted company.

Evaluation of senior executives

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- A review by the Board of the Group's financial performance;
- Annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- An analysis of the Group's prospects and projects; and
- A review of feedback obtained from third parties, including advisors (where applicable).

Informal evaluations of the CEO and other senior executives' individual performance and overall business measures are undertaken progressively and periodically throughout the financial period.

Whilst the Board is aware that the Code recommends that the Board and its committees are evaluated on a yearly basis this has not been undertaken during 2019 as the Board was constituted late in 2018. However, an evaluation will be undertaken in 2020.

Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours, something we see as being a cornerstone to a strong risk management programme.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all directors and employees of the Group.

The Board has approved a code of conduct for directors, officers, employees and contractors, which describes the standards of ethical behaviour that are required to be maintained. The code of conduct was approved prior to the Company's listing on the AIM market. The Group promotes the open communication of unethical behaviour within the organisation.

Compliance with the code of conduct assists the Company in effectively managing its operating risks and meeting its legal and compliance obligations as well as enhancing the Group's corporate reputation.

The code of conduct describes the Group's requirements on matters such as confidentiality, conflicts of interest, use of Group information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of the Group's assets.

Corporate Governance Report (continued)

An employee who breaches the code of conduct may face disciplinary action. If an employee suspects that a breach of the code of conduct has occurred or will occur, he or she must report that breach to the CEO or CFO, via the Company's confidential "Whistle Blowing" process. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be investigated, acted upon and kept confidential.

Anti-bribery and anti-corruption

The Company has adopted an anti-corruption and bribery policy which applies to the Board and employees of the Company and the Group. It generally sets out their responsibilities in observing and upholding a zero-tolerance position on bribery and corruption in all the jurisdictions in which the Group operates. It also provides guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences of failing to adhere to this guidance. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, be aware of and refer to this policy in all of their business activities worldwide and to conduct business on the Company's behalf in compliance with it. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

The Group's anti-bribery and anti-corruption policy is set out in the code of conduct and has been aligned to meet UK and South African laws governing anti-bribery and anti-corruption. The Group takes a zero tolerance approach to acts of bribery and corruption by any directors, officers, employees and contractors. The Group will not offer, give or receive bribes, or accept improper payments to obtain new business, retain existing business or secure any advantage and will not permit others to do so on its behalf.

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The role of the Board is as follows:

- To provide direction and entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be appropriately assessed and managed;
- To set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance;
- To demonstrate ethical leadership, setting the Company's value and standards and ensuring that its obligations to its shareholders and others are well understood;
- To create a performance culture that drives value creation without exposing the Company to excessive risk or value destruction;
- To be accountable, and make well-informed and high quality decisions based on a clear understanding of the Company's broader goals and specific objectives;
- To create the right framework for helping directors meet their statutory duties under the Companies Act 2006, and/or any other relevant statutory and regulatory regimes; and
- To promote its governance arrangements and embrace the evaluation of their effectiveness.

Internal controls

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the directors recognise that they have overall responsibility for ensuring that Kropz maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of that system. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material mis-statement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

Corporate Governance Report (continued)

The key features of the internal control system are described below:

Control environment

The Company is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk management and internal control

The Board has carried out a robust assessment of the principal risks facing the Group. Details of these risks are set out on pages 10 to 13. The Board has reviewed the Company's risk management and internal control systems during the year and consider them to be effective. Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of intellectual property, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Group businesses will participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures

The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Board considers the internal control system to be adequate for the Group.

Financial and business reporting

It is the responsibility of the directors to ensure that the financial accounts are prepared and submitted. Having assessed the current annual report, along with the accounts, the directors confirm that, taken as a whole, they are fair, balanced and understandable. The directors also confirm that these documents provide the necessary information in order for shareholders to assess the Group's performance, business model and strategy.

The going concern statement provided by the directors is on page 32 of the Directors Report. The independent auditor's report is set out on pages 51 to 54.

The CEO and CFO provide, at the end of each six monthly period, a formal statement to the Board confirming that the Group's financial reports present a true and fair view, in all material respects, and that the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Group's financial statements and that it is founded on a sound system of risk management and internal compliance and controls which implements the policies approved by the Board, and that the Group's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

Corporate Governance Report (continued)

Board committees

The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The minutes of all committees are circulated for review and consideration by all relevant directors, supplemented by oral reports from the respective committee chairs at Board meetings.

Audit and Risk Committee

The Company has an Audit Committee comprised of Linda Beal, as the chairperson of the committee, together with Lord Robin Renwick of Clifton and Machiel Reyneke. The Audit Committee report is set out on pages 46 to 47.

Remuneration and Nomination Committee

The Company has a Remuneration Committee comprised of Lord Robin Renwick of Clifton, as the chairperson of the Remuneration Committee, together with Machiel Reyneke, Mike Nunn, Linda Beal and Mike Daigle.

The Remuneration Committee report is set out on page 49.

Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders

Dialogue with shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders.

The Group also posts all reports, stock exchange announcements and media releases and copies of significant business presentations on the Company's website.

The Company's two largest shareholders, ARC Fund and Kropz International, are represented on the Board. In addition, the Chairman and CEO have frequent direct face-to-face meetings throughout the period with some of the other major shareholders as well as with analysts and brokers.

Constructive use of the AGM

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company provides information in the notice of meeting that is presented in a clear, concise and effective manner. Shareholders are provided with the opportunity to submit questions in relation to each resolution before they are put to the vote and discussion is encouraged by the Board.

Directors are usually available at and following general meetings when shareholders have the opportunity to ask/submit questions on the business of the meeting. Specifically, the chairperson of the Audit Committee and the Chairperson of the Remuneration Committee are available in person or by conference call at the AGM to answer questions from shareholders.

The company secretary, the Company's auditors (if required) and the Registrars (if required) are also in attendance at general meetings to assist with any queries shareholders may have.

Corporate Governance Report (continued)

Other governance matters

Diversity policy

The Group is committed to an inclusive workplace that embraces and promotes diversity, while respecting international, sovereign, United Kingdom, South African and RoC laws.

It is the responsibility of all directors, officers, employees and contractors to comply with the Group's diversity policy and report violations or suspected violations in accordance with this diversity policy.

The Group recognises the value of a diverse work force and believes that diversity supports all employees reaching their full potential, improves business decisions, business results, increases stakeholder satisfaction and promotes realisation of the Group's vision.

Diversity may result from a range of factors including but not limited to gender, age, ethnicity and cultural backgrounds. The Company believes these differences between people add to the collective skills and experience of the Group and ensure it benefits by selecting from all available talent.

Group and individual expectations

The Group recognises Group and individual expectations, to:

- Ensure diversity is incorporated into the behaviours and practices of the Group;
- Facilitate equal employment opportunities based on job requirements only using recruitment and selection processes which ensure we select from a diverse pool;
- Engage professional search and recruitment firms when needed to enhance our selection pool;
- Help to build a safe work environment by acting with care and respect at all times, ensuring there is no discrimination, harassment, bullying, victimisation, vilification or exploitation of individuals or groups;
- Develop flexible work practices to meet the differing needs of our employees and potential employees;
- Attract and retain a skilled and diverse workforce as an employer of choice;
- Enhance customer service and market reputation through a workforce that respects and reflects the diversity of our stakeholders and communities that we operate in;
- Make a contribution to the economic, social and educational well-being of all of the communities it serves;
- Meet the relevant requirements of domestic and international legislation appropriate to the Group's operations;
- Create an inclusive workplace culture; and
- Establish measurable diversity objectives and monitor and report on the achievement of those objectives annually.

Dealings with company securities

The Group's Securities Dealing Policy is binding on all directors, officers and employees who are in possession of "inside information". All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading is permissible provided the relevant individual has received the appropriate prescribed clearance. The Board considers that the share dealing code is in compliance with the MAR and AIM requirements, and continues to meet the requirements of the Board.

Interests of other stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

Corporate Governance Report (continued)

Market disclosure

The Company is subject to parallel obligations under the AIM rules and the MAR, in relation to the disclosure and control of price sensitive information. The Company has obligations under corporate and securities laws and stock exchange rules to keep the market fully informed of information which may have a material effect on the price or value of the Group's securities and to correct any material misrepresentation, mistake or misinformation in the market.

The Group takes continuous disclosure seriously and requires that all of its directors, officers, employees and contractors observe and adhere to the Group's procedures and policies governing compliance with all laws pertaining to continuous disclosure, tipping and insider trading.

The Company has a formal Disclosure Policy (the "Disclosure Policy") addressing its continuous disclosure obligations and arrangements. The objectives of the Disclosure Policy are to ensure that:

- The communications of the Group with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;
- Non-publicly disclosed information remains confidential; and
- Trading of the Group's securities by directors, officers and employees of the Company and its subsidiaries remains in compliance with applicable securities laws.

The Disclosure Policy also provides advice to all directors, officers, employees and contractors of the Group of their responsibilities regarding their obligation to preserve the confidentiality of undisclosed material information while ensuring compliance with laws respecting timely, factual, complete and accurate continuous disclosure, price sensitive or material information, tipping and insider trading.

The Disclosure Policy further covers disclosures in documents filed with the securities regulators and stock exchanges and written statements made in the Group's annual and interim reports, news releases, letters to shareholders, presentations by senior management and information contained on Kropz's website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

If there is misuse of price sensitive or material information not yet disclosed to the market by trading or breach in confidentiality, extremely serious penalties may apply to the individual or individuals involved.

Shareholder information

The Company's website contains a separate section titled "Investors" which contains key documents for its investors. The website also provides:

- Information about the Company and Group;
- An overview of the Group's current projects;
- Copies of its annual reports;
- Investor presentations; and
- Copies of its announcements to the London Stock Exchange.

The Company's share registry is maintained electronically by Link Asset Services. Their contact details are disclosed in the corporate directory of the annual report on pages 119 to 121. The market price of the AIM

Corporate Governance Report (continued)

traded shares at 31 December 2019 was 7.5 pence. The highest and lowest price during the financial year was 42 pence and 7.5 pence respectively.



Lord Robin William Renwick of Clifton
Non-Executive Chairman
31 July 2020

Report of the Audit and Risk Committee

The Audit Committee comprises three members, two of whom are independent non-executive directors including the chairperson, Linda Beal, who is considered by the Board to have recent and relevant financial experience. Machiel Reyneke is not considered independent. The Audit Committee meets formally at least twice a year, or otherwise as required, and meets with the Company's external auditors at least twice a year.

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, including reviewing the Group's annual and half year financial statements, accounting policies, key judgements and estimates taken, internal and external audit and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors.

In addition, the Audit Committee is responsible for ensuring the integrity of the financial information reported to shareholders and internal control systems and ensuring effective risk management and financial control frameworks have been implemented. The Audit Committee also ensures that appropriate procedures, resources and controls are in place to comply with the AIM Rules for Companies and the MAR, monitors compliance thereof and seeks to ensure that the Company and its nominated adviser are in contact on a regular basis.

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the financial statements of Kropz and any formal announcements relating to Kropz's financial performance and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A recommendation regarding the auditors is put to shareholders for their approval in general meetings.

Kropz has established procedures for the running of the Audit Committee. This includes overview of the identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its executives and senior managers. The Audit Committee is committed to maintain a risk management framework that seeks to:

- Avoid the likelihood of unacceptable outcomes and costly surprises;
- Provide greater openness and transparency in decision making and ongoing management processes;
- Provide for a better understanding of issues associated with the Group's activities;
- Comprise an effective reporting framework for meeting corporate governance requirements; and
- Allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed judgement.

The Audit Committee is also responsible for approving, reviewing and monitoring the Company's risk management policy. The objectives of this risk management policy are to:

- Provide a structured risk management framework that will provide senior management and the Board with comfort that the risks confronting the organisation are identified and managed effectively;
- Create an integrated risk management process owned and managed by the Group's personnel that is both continuous and effective;
- Ensure that the management of risk is integrated into the development of strategic and business plans, and the achievement of the Group's vision and values; and
- Ensure that the Board is regularly updated with reports by the committee.

Management is responsible for efficient and effective risk management across the activities of the Group. This includes ensuring the implementation of policies and procedures that address risk identification and control, training and reporting. The CEO is responsible for ensuring the process for managing risks is integrated within business planning and management activities.

Report of the Audit and Risk Committee (continued)

The Board reviews the effectiveness of the implementation of the risk management system and internal control system annually. When reviewing risk management policies and the internal control system the Board takes into account the Company's legal obligations and also considers the reasonable expectations of the Company's stakeholders, including shareholders, employees, customers, suppliers, creditors, consumers, government authorities and the community. The principal areas of risk for the Company are detailed on pages 10 to 13.

In order to ensure the independence and objectivity of the external auditor (BDO and its associated companies), the Audit Committee has a policy in place since AIM Admission in November 2018, regarding the provision of non-audit services by its external auditor to ensure that such services do not impair the independence or objectivity of the external auditor. Any non-audit services provided must be pre-approved by the chairperson of the Audit Committee.

The Audit Committee met on three occasions in the 2019 financial year.

On 4 February 2020, the Audit Committee met with BDO and discussed and reviewed the planning of the 2019 annual audit. On 31 July 2020, the Audit Committee met with BDO to discuss the findings of the 2019 annual audit.

On 31 July 2020 the Audit Committee met to review the appropriateness of the Group's key accounting policies and judgements, to review the auditor's report to the Audit Committee and to review the annual financial statements prior to Board approval.

The Audit Committee reviewed the 2019 annual report including consideration of the financial statements and going concern (including material uncertainty), impairment assessment of the exploration and evaluation assets, property, plant, equipment and mine development costs, other key judgements and estimates, value proposition and business model. The Audit Committee received and considered memoranda from management regarding these matters, and also took into account the views of the external auditor. The Audit Committee concluded that no impairment charge was necessary for the exploration and evaluation assets at 31 December 2019, and the impairment recognised for the period ended 30 June 2019 be reversed, and that the going concern basis is the appropriate basis for preparation of the 2019 annual report, but it is considered appropriate to recognise that there is a material uncertainty.

The Audit Committee assesses the quality of the external audit annually and considers the performance of the auditor and its associates taking into account the Audit Committee's own assessment, feedback from senior finance personnel and views from the auditor and its associates on their performance as detailed in a report of their audit findings at the year end, which they took the Audit Committee through at the meeting in July 2020. Based on this review, the Audit Committee was satisfied with the effectiveness of the audit for the year ended 31 December 2019.



Linda Beal
Audit Committee Chair
31 July 2020

Report of the Remuneration and Nomination Committee

The Remuneration Committee has five members, three of whom are independent non-executive directors including the Chair, Lord Robin Renwick of Clifton. The Remuneration Committee also comprises Mike Daigle, Linda Beal, Machiel Reyneke and Mike Nunn. Mike Nunn and Machiel Reyneke are not considered to be independent.

The Remuneration Committee is required to meet annually and at such other times as required. Its objectives are to:

- Maintain a board of directors that has an appropriate mix of skills, experience and knowledge to be an effective decision making body;
- Ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;
- Align the interests of executives and senior management with those of shareholders through the use of performance-related rewards and share options in the Company;
- Reward executives and senior managers according to both individual and Group performance;
- Establish an appropriate balance between fixed and variable elements of total remuneration, with the performance-related element forming a potentially significant proportion of the total remuneration package;
- Review and recommend an appropriate remuneration policy, the objective of which shall be to attract, retain and motivate executive directors of the quality required to successfully run the Company, without paying more than is necessary having regard to market comparables; and
- Adhere to the principle that no director or senior executive shall be involved in any decisions as to their own remuneration.

In addition, the Remuneration Committee is responsible for considering and recommending Board candidates for election or re-election, reviewing succession planning, determining the terms of employment and total remuneration of the executive directors and Chairman and considering the Group's incentive schemes.

The remuneration package comprises the following elements:

- Basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies;
- Annual performance-related bonus – executives, managers and employees receive annual bonuses related to specific KPIs or overall Group performance. The non-executive directors do not participate in the performance-related bonus scheme;
- Benefits – benefits include life assurance and private medical contributions. The non-executive directors do not receive these benefits; and
- Share options – share option grants are reviewed regularly. The non-executive directors do not receive these benefits.

Full details of each director's remuneration package and their interests in shares and share options can be found in the Directors' Report. There are no elements of remuneration, other than basic earnings, which are treated as being pensionable. The Remuneration Committee did not meet during 2019.



Lord Robin William Renwick of Clifton
Remuneration Committee Chairman
31 July 2020

Statement of Directors' Responsibilities in Respect of The Annual Report and Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report, Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement and the Directors' Report were approved by the Board of directors on 31 July 2020 and signed on its behalf by:



Non-Executive Chairman
Lord Robin William Renwick of Clifton
31 July 2020



Chief Financial Officer
Mark Summers
31 July 2020

Independent Auditor's Report to the Members of Kropz plc

Opinion

We have audited the financial statements of Kropz plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the disclosures made in note 2a to the financial statements, which explains that the Company and Group will require further funding in the second half of 2021 to be able to meet its forecast working capital requirements. These conditions together with the other matters explained in note 2a indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter.

Our audit procedures in response to this key audit matter included:

- Critically assessing management's financial forecasts over the period of going concern assessment. This included consideration of the reasonableness of key underlying assumptions by reference to current expenditure and commitments and possible impact of COVID-19 on the financial position of the Company and Group over the going concern review period.
- Understanding management's options for the future fundraising required in the second half of 2021 to meet the Group's working capital requirements .
- Evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

Independent Auditor's Report to the Members of Kropz plc (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section above, we have determined the matters described below to be a key audit matter.

Key audit matter	How we addressed the key audit matter in the audit
<p>Carrying value of property, plant, equipment and mine development assets. Notes 2(s) and 5</p> <p>The Group's total property, plant, equipment and mine development assets at 31 December 2019 were US\$ 105.2m in respect of the Elandsfontein mine in South Africa. This class of asset is the most significant to the statement of financial position.</p> <p>Management is required to assess at the end of each reporting period whether there are any indicators that an asset may be impaired. If any such indicators are identified the entity is required to estimate the recoverable amount of the asset.</p> <p>The mine has been on care and maintenance and further investment and modification is required before commercial production can resume. In these circumstances an impairment review is required.</p> <p>The recoverable amount of these assets is determined by considering a life of mine discounted cash flow model for the Elandsfontein mine. Significant estimates and judgements are required in determining model inputs, including phosphate prices, ore reserves, production forecasts and costs and discount rates. The subjectivity of the judgements and estimates and the significant carrying value of these assets make this a key area of focus for the financial statements and the audit.</p>	<p>Our audit procedures included:</p> <p>Visiting the mine to understand the proposed developments and assess whether the proposed additions and modifications to the mine plant could give rise to asset impairments.</p> <p>Reviewing the documentation relating to the Elandsfontein mining licence to confirm that the Group holds a valid licence and gaining an understanding of the licence conditions.</p> <p>Assessing management's impairment review of the Group's mining assets under IAS 36 and critically challenging the significant estimates and judgements made by management in determining the key assumptions, which include:</p> <ul style="list-style-type: none"> • forecast phosphate prices for future periods • grade and volume of phosphate concentrate produced • forecast operating costs and exchange rates <p>The result of management's impairment review supported the reversal of the impairment provision made in the interim financial information for the period ended 30 June 2019. In performing our work we verified these key assumptions to supporting documentation and market data and required management to provide evidence to support the changes in key assumptions that led to the impairment reversal. Our work included assessing technical reports that support the improved grade and output of product and reviewing the third party expert's report that support the increased sales prices, including comparison to market data supporting forecast increases in demand. In addition, we</p>

Independent Auditor's Report to the Members of Kropz plc (continued)

	<p>assessed the independence and competence of the third party experts.</p> <p>We considered the reasonableness of sensitivities applied by management, checked their calculation and performed our own sensitivity calculations.</p> <p>We reviewed the adequacy of the financial statement disclosures regarding the impairment review.</p> <p>Key observation</p> <p>Based on our work we concur with Management's assessment of the carrying value of the Group's property, plant, equipment and mine development assets.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider total assets to be the most significant determinant of the Group's financial performance as the Group is engaged in the development of mining projects and the principal focus of the users is considered to be the total assets of the Group. The final materiality for the group financial statements as a whole was set at US\$ 2,450,000 (2018: US\$ 2,650,000). This was based on 1.5 per cent. of total assets, which we consider to be an appropriate benchmark.

Whilst materiality for the financial statements as a whole was set as above, the materiality of the significant components of the Group was set at a lower materiality ranging from US\$ 868,000 to US\$ 1,980,000 (2018: US\$ 600,000 to US\$ 2,000,000). The Parent Company's final materiality was set at US\$ 1,980,000 (2018: US\$ 1,500,000), being 80 per cent. of Group materiality. Materiality was set at a lower level at the planning stage, being based on total assets that reflected the impairment provision made in the interim financial information. These lower materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality was set at 65 per cent. of the above materiality levels. In setting the level of performance materiality we considered a number of factors including the recognition that this is an AIM listed group with significant bank borrowing.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$ 49,000 (2018: US\$ 54,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

Independent Auditor's Report to the Members of Kropz plc (continued)

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.

In approaching the audit, we considered how the group is organised and managed.

We assessed there to be three significant components being the Parent Company, Kropz Elandsfontein (Pty) Ltd, which is commissioning the Elandsfontein phosphate mine in South Africa and Cominco Resources Limited, which holds the Hinda pre-development phosphate project in Republic of Congo.

The Parent Company and Cominco Resources Limited were subject to a full scope audit by the group auditor. A full scope audit for group reporting purposes was performed by a non-BDO network firm in South Africa on Kropz Elandsfontein (Pty) Ltd. A planning meeting was held with the component auditor and detailed group reporting instructions for the testing of the significant areas were sent to them. We also reviewed the audit files and discussed the findings with the component audit partner, the audit team and component management. The component auditor also carried out full scope audits and reported to us on the other South African subsidiaries. The remaining non-significant components were subject to analytical review procedures.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Independent Auditor's Report to the Members of Kropz plc (continued)

- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

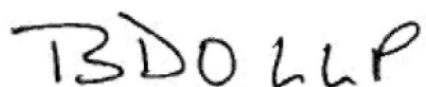
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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



Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
31 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 US\$'000	31 December 2018 US\$'000
Non-current assets			
Property, plant, equipment and mine development	5	105,224	101,826
Exploration assets	6	40,192	40,772
Right-of-use asset	7	37	-
Other financial assets	9	1,534	1,623
		<u>146,987</u>	<u>144,221</u>
Current assets			
Inventories	10	875	861
Amounts due from a director	8	-	33
Trade and other receivables	11	329	331
Cash and cash equivalents	12	15,530	30,457
		<u>16,734</u>	<u>31,682</u>
TOTAL ASSETS		<u>163,721</u>	<u>175,903</u>
Current liabilities			
Trade and other payables	19	1,536	11,956
Lease liabilities	16	19	-
Other financial liabilities	17	29,982	518
Current taxation	27	174	-
Other tax liabilities	20	451	-
		<u>32,162</u>	<u>12,474</u>
Non-current liabilities			
Shareholder loans	15	14,701	14,386
Lease liabilities	16	21	-
Other financial liabilities	17	-	29,551
Tax payable	27	-	66
Provisions	18	3,702	3,931
		<u>18,424</u>	<u>47,934</u>
TOTAL LIABILITIES		<u>50,586</u>	<u>60,408</u>
NET ASSETS		<u>113,135</u>	<u>115,495</u>

**Consolidated Statement of Financial Position
As at 31 December 2019 (continued)**

		31 December 2019 US\$'000	31 December 2018 US\$'000
	Notes		
Shareholders' equity			
Share capital	13	363	335
Share premium	13	147,339	142,026
Merger reserve	14	(20,523)	(20,523)
Foreign exchange translation reserve	14	53	(1,226)
Share-based payment reserve	14	167	-
Accumulated losses		(12,536)	(6,255)
Total equity attributable to the owners of the Company		114,863	114,357
Non-controlling interests	34	(1,728)	1,138
		113,135	115,495

The Notes on pages 61 to 111 form an integral part of these Consolidated Financial Statements. The Financial Statements on pages 51 to 111 were approved and authorised for issue by the Board of Directors on 31 July 2020 and signed on its behalf by:


Mark Summers
Chief Financial Officer
 31 July 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

		Year ended 31 December 2019 US\$'000	Period from 10 January to 31 December 2018 US\$'000
	Notes		
Revenue		-	-
Other income		9	2
Operating expenses	24	(6,631)	(5,674)
Operating loss		(6,622)	(5,672)
Finance income	23	1,638	382
Finance expense	26	(3,662)	(2,321)
Loss before taxation		(8,646)	(7,611)
Taxation	27	(118)	(66)
Loss after taxation		(8,764)	(7,677)
Loss attributable to:			
Owners of the Company		(6,290)	(6,255)
Non-controlling interests		(2,474)	(1,422)
		(8,764)	(7,677)
Loss for the year / period		(8,764)	(7,677)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Exchange differences on translation of parent company financial statements from functional to presentation currency		3,226	(956)
- Exchange differences on translating foreign operations		(1,914)	(270)
Total comprehensive loss		(7,452)	(8,903)
Attributable to:			
Owners of the Company		(5,011)	(7,481)
Non-controlling interests		(2,441)	(1,422)
		(7,452)	(8,903)
Loss per share attributable to owners of the Company:			
Basic and diluted (US cents)	28	(2.30)	(25.45)

Consolidated Statement of Changes in Equity For the year ended 31 December 2019

	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
Balance at 10 January 2018	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,226)	-	(6,255)	(7,481)	(1,422)	(8,903)
Issue of shares	335	143,297	14,878	-	-	-	158,510	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	(35,401)	-	-	-	(35,401)	2,560	(32,841)
Transactions with owners	335	142,026	(20,523)	-	-	-	121,838	2,560	124,398
Balance at 31 December 2018	335	142,026	(20,523)	(1,226)	-	(6,255)	114,357	1,138	115,495
Total comprehensive profit / (loss) for the year	-	-	-	1,279	-	(6,290)	(5,011)	(2,441)	(7,452)
Issue of shares	28	5,344	-	-	30	-	5,402	-	5,402
Cost of issuing shares	-	(31)	-	-	-	-	(31)	-	(31)
Acquisition of non-controlling interests	-	-	-	-	-	9	9	(425)	(416)
Share based payment charges	-	-	-	-	137	-	137	-	137
Transactions with owners	272	5,313	-	-	167	9	5,517	(425)	5,092
Balance at 31 December 2019	363	147,339	(20,523)	53	167	(12,536)	114,863	(1,728)	113,135

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Notes	Year ended 31 December US\$'000	Period from 10 January to 31 December US\$'000
Cash flows from operating activities			
Loss before taxation		(8,646)	(7,611)
Adjustments for:			
Depreciation of property, plant and equipment	5	894	457
Amortisation of right-of-use assets	7	18	-
Share-based payment charge	13	137	-
Interest income	23	(1,638)	(55)
Finance costs	26	3,662	771
Foreign currency exchange differences		37	(2,611)
Fair value loss on game animals	5	43	32
Operating cash flows before working capital changes		(5,493)	(9,017)
Increase in trade and other receivables	29	66	(240)
Decrease in inventories	29	(6)	-
(Decrease) / increase in payables	29	(9,771)	1,989
Increase in other tax liabilities	29	451	-
Decrease in amounts due from / (to) related parties	8	33	(47)
(Decrease) / increase in provisions	29	(324)	534
		(15,044)	(6,781)
Income taxes paid		(15)	-
Net cash flows used in operating activities		(15,059)	(6,781)
Cash flows used in investing activities			
Purchase of property, plant and equipment	5	(1,894)	(505)
Exploration and evaluation expenditure	6	(289)	-
Decrease in loans receivable		-	293
Disposal of other financial assets	9	124	-
Acquisition of subsidiaries, net of cash acquired		-	303
Finance income received	23	1,638	54
Net cash flows (used by) / from investing activities		(421)	145
Cash flows from financing activities			
Finance costs paid	26	(3,662)	(771)
Shareholder loan (repaid) / received	29	(32)	696
Repayment of lease liabilities	16	(16)	-
Other financial liabilities	29	(814)	867
Issue of ordinary share capital	13	4,243	37,635
Costs of share issues		(31)	(1,271)
Net cash flows from financing activities		(312)	37,156
Net (decrease) / increase in cash and cash equivalents		(15,792)	30,520
Cash and cash equivalents at beginning of the period		30,457	-
Foreign currency exchange gains / (losses) on cash		865	(63)
Cash and cash equivalents at end of the period		15,530	30,457

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(1) General information

Kropz plc is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa, a large-scale phosphate project in the RoC and exploration assets in Ghana. 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 Company entered into a number of agreements during 2018, as more fully described in Note 3, to acquire phosphate assets and in turn become the holding company of the Group with interests in three projects - in Ghana, 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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 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 2019, the Group incurred a loss of US\$ 9 million (period to 31 December 2018 – US\$ 8 million) and experienced net cash outflows from operating activities of US\$ 15 million (31 December 2018 – US\$ 7 million). Cash and cash equivalents totalled US\$ 16 million as at 31 December 2019 (31 December 2018 – US\$ 30 million). The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

In May 2020, Kropz entered into a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Equity Facility is expected to bring the Company's Elandsfontein project, into production in Q4 2021. The equity facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the US\$ 40 million and ZAR 200 million currently locked up by BNP in the accounts of Kropz Elandsfontein. In due course the ZAR 200 million ringfenced by BNP will be released and utilised towards funding the construction and completion of Elandsfontein. Kropz Elandsfontein renegotiated and amended the BNP US\$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

30 September 2024. Entering into and closing the amended facility agreement with BNP removed the technical default announced to shareholders in February 2020.

In addition, the Company raised US\$ 353,595, before expenses (approximately GBP 283,843) from an equity placing to an existing investor and two directors on 1 June 2020 and raised a further US\$ 2,163,639, before expenses (approximately GBP 1,744,870) from an open offer to existing shareholders on 26 June 2020.

Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. 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-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The directors have reviewed the overall position and outlook in respect of the matters identified above and have prepared a cash flow forecast for the Company and Group which indicates that the Company will need to raise further funds in the second half of 2021 for working capital purposes and to progress the Hinda project. Management have been successful in raising funds in the past and the directors consider it to be appropriate to prepare the Company and Group financial statements on a going concern basis. However, there is no certainty that adequate funds will be available when needed and the COVID-19 pandemic may adversely impact on the ability of the Group to raise the necessary funding. 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 is 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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.

Adoption of new and revised International Financial Reporting Standards

The Group applied IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments for the first time from 1 January 2019. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time in 2019, but did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Changes in accounting policy

IFRS 16

The Group has adopted IFRS 16 which became effective on 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease-term;
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impact of adoption

The Group has one property lease which was entered into in January 2019. As such, a restatement of comparatives has not been necessary and there was no impact on accumulated losses as at 1 January 2019.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Impact on the balance sheet

On adoption, the change in accounting policy affected the following items in the balance sheet in January 2019:

	Increase / decrease	US\$'000
Right-of-use assets (Note 7)	Increase	54
Lease liabilities (Note 16)	Increase	(54)

Impact on the income statement and earnings per share

For the year ended 31 December 2019, there was no net effect on operating losses as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense and depreciation. In particular, operating lease expenses of US\$ 18,000 were replaced by depreciation of US\$ 18,000. Loss before tax was US\$ 2,000 higher due to interest expenses on the lease liabilities recognised under IFRS 16. The net effect of US\$ 2,000 had no material impact on Loss Per Share.

The table below summarise the profit and loss account treatment for the year ended 31 December 2019 and the comparative period for the lease:

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Finance costs		
Interest and finance charges paid/payable on lease liabilities (IFRS 16)	2	-
Leases / right-of use assets depreciation		
Minimum operating lease payments (IAS 17)	-	-
Depreciation of right-of-use assets (IFRS 16)	18	-
Total expense in profit and loss	<u>20</u>	<u>-</u>

Impact on the cash flow statement

For classification within the statement of cash flows, the interest portion of US\$ 2,000 is disclosed in operating activities and the principal portion of the lease payments of US\$ 15,000 is separately disclosed in financing activities.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that the Interpretation did not have an impact on the consolidated financial statements of the Group.

A number of standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below.

The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective as these are not expected to impact the Group, they have not been listed.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the subsidiaries listed in Note 4.

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:

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

- 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.

Corporate reorganisation

Kropz SA and First Gear became subsidiaries of the Company following the completion of Share Purchase Agreements on 27 November 2018 and 4 June 2018 respectively. The Company is now the parent holding company of these subsidiaries. Prior to the group restructuring the subsidiaries were controlled by Kropz International, a company incorporated in Luxembourg.

The share for share acquisitions of Kropz SA and First Gear and its subsidiary companies by Kropz plc were that of a re-organisation of entities which were under common control. Both entities had the same management as well as majority shareholders.

The acquisitions are considered a combination of entities under common control and, under IFRS 3:2(c), are excluded from the scope of that Standard.

In the absence of specific IFRS literature on the topic, the Group has applied the requirements of IAS 8:10 to 12 in its consolidated financial statements and has chosen to account for both of the transactions at the subsidiaries' carrying amounts at the date of the transactions (i.e. as a predecessor value method of accounting).

The Directors have therefore decided that it is appropriate to reflect these combinations using the predecessor value method of accounting in order to give a true and fair view. No fair value adjustments were made as a result of the combinations.

Under these accounting principles, the assets and liabilities of both entities to a transaction are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance with applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the income statement.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Under the predecessor value method of accounting, the following principles have been applied:

- Assets and liabilities of the combining entities have been combined at their respective book values;
- No goodwill nor negative goodwill has been recognised;
- The difference between the Group's cost of investment and the acquiree's equity is presented as a separate merger reserve within equity on consolidation;
- The results of the acquiree have been consolidated only from the date of the combination and pre-combination reserves eliminated on combination; and
- Adjustment is made to reflect the profit attributable to the non-controlling interest in the acquiree prior to the combination.

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.

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 per cent. 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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

- Capitalised pre-production expenditure
- 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.

Capitalised borrowing costs comprise interest paid on shareholder loans incurred pre-production in Kropz Elandsfontein.

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:

Item	Depreciation method	Average useful life
Buildings and infrastructure		
Buildings	Units of production	Life of mine*
Roads	Straight-line	15 years
Substation	Straight-line	15 years
Machinery, Plant & Equipment		
Fixed plant and equipment	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
Mineral exploration site preparation	Units of production	Life of mine*
Stripping activity	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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(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.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. An explanation of the transitional requirements that were applied as at 1 January 2019 is included above. The following policies apply subsequent to the date of initial application, 1 January 2019.

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 per cent., being an average LIBOR plus 3 per cent., 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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 reassesses 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 Pty Ltd and held within the approximately 5,000 hectares of farmland owned by the company. 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(g) Financial instruments

Classification and measurement

The Group classifies its financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost; and
- Financial liabilities measured at amortised cost.

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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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 the statement of profit or loss and other comprehensive income.

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 estimated amount of cash flows, 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(m) 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.

(n) 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.

(o) Intangible assets

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

(p) Finance income

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

(q) 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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.

(r) 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 has been accounted for on the basis of the Company having control with effect from acquisition and holding 50 per cent. plus one share. Management considers that it controls First Gear as this holding gives the Company control over its strategic, operational and financing decisions.

(ii) *Exploration and evaluation assets*

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(iv) *Decommissioning and rehabilitation provisions*

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 9 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 remaining in care and maintenance it is premature to recognise a deferred tax asset for the accumulated tax losses.

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

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock, mine production levels and foreign currency exchange rates.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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;
- 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.

(3) Group reorganisation

(a) Acquisition of First Gear

On 4 June 2018, the Company acquired a 50 per cent. + 1 share interest in the share capital of First Gear from its largest shareholder, Kropz International, who owned 75 per cent. of First Gear. The shareholders of First Gear entered into a shareholders' agreement pursuant to which the parties agreed the basis on which First Gear would finance its activities.

On 21 August 2018, the Company issued 163,221 ordinary shares to Kropz International at 56 pence per ordinary share pursuant to a share for share agreement exchange whereby Kropz International received 163,221 ordinary shares in consideration for the transfer of:

- (i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

- (ii) the novation rights and obligations under the First Gear loan agreements with Kropz International and of Mike Nunn to the Company.

First Gear was under common control of the same ultimate beneficial owners and effectively operated as a group under common management throughout the period covered by the Financial Statements for the period ended 31 December 2018. The consideration is summarised as follows:

	US\$'000
Consideration	<u>122</u>
Allocated as to:	
(i) 1,125,001 shares in First Gear	5
(ii) the Novation of:	
- Sellers loan (Kropz International)	70
- Mike Nunn loan	<u>47</u>
	<u>122</u>

The following table summarises the consideration paid for First Gear and the carrying value of net liabilities assumed at the acquisition date:

	Fair value US\$'000
Consideration	
Total consideration for shares as above	5
Total identifiable net liabilities assumed:	
Cash	3
Trade and other receivables	2
Trade and other payables	(120)
Total identifiable net assets acquired	(115)
Amount transferred to exploration and evaluation assets	62
Non-controlling interests	58
Total	5

Acquisitions of South African assets

Under a series of share purchase agreements, a re-organisation of the Kropz Group's South African assets was effected, including:

- A share-for-share exchange whereby Kropz International sold 100 per cent. of its equity and loan interests in Kropz SA to Kropz plc on 27 November 2018;
- The acquisition by ARC of Tiestabyte (Pty) Ltd's 5 per cent. equity and loan interests in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 32 per cent. interest in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 23 per cent. interest in ELH on 27 November 2018;
- The sale by ARC of a further 4 per cent. interest in Kropz Elandsfontein to Kropz plc in exchange for the issue of Kropz plc shares on 27 November 2018.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Steps in re-organisation

1. On 26 November 2018, immediately prior to the re-organisation on 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 ordinary shares of 0.1 pence only and 663,221 deferred shares of GBP 0.099 each in the capital of the Company;
2. On 27 November 2018, the Company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company (the “Buy-back Share”) to Kropz International in cash for 1 pence;
3. On 27 November 2018, the Company issued 93,260,034 ordinary shares (the “Reorganisation Shares”) to Kropz International at 61.3 pence per ordinary share pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company and Kropz International whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of US\$ 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of US\$ 30,743,792; and (vi) the benefit of the outstanding ELH loan account of US\$ 1,692,072;
4. On 27 November 2018, the Company bought back the deferred shares for an aggregate sum of 1 pence and these were then cancelled; and
5. On 27 November 2018, the Company issued 5,499,124 ordinary shares to the ARC (the “ARC Consideration Shares”) at 40 pence per ordinary share pursuant to a share purchase agreement whereby ARC received the ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein.

The principal agreements governing the acquisitions were:

(i) Reorganisation, asset and share purchase agreement

An asset and share purchase agreement dated 27 November 2018 between the Company and Kropz International pursuant to which the Company was inserted as the new holding company of the Kropz Group.

Pursuant to the agreement the Company purchased from Kropz International:

- i. the entire issued share capital of Kropz SA;
- ii. 32 per cent. of the issued share capital of Kropz Elandsfontein (the remaining shareholding in Kropz Elandsfontein is held by Kropz SA (38 per cent.) and the ARC (30 per cent.);
- iii. 23 per cent. of the issued share capital of ELH (the remaining shareholding in ELH is held by Kropz SA (47 per cent.) and the ARC (30 per cent.);
- iv. the benefit of the outstanding Kropz SA loan account of US\$ 1,494,066;
- v. the benefit of the outstanding Kropz Elandsfontein loan account of US\$ 32,162,463; and
- vi. the benefit of the outstanding ELH loan account of US\$ 1,728,233,

for a total consideration of US\$ 78,230,310.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

The consideration was satisfied by the issue and allotment of 93,260,034 ordinary shares ("Reorganisation Shares") to Kropz International at 61.3 pence per ordinary share.

The transfer of shares, the acquisition of the loan accounts and the issue and allotment of the Reorganisation Shares under the share purchase agreement occurred on 27 November 2018. Under the share purchase agreement Kropz International provided customary title and capacity warranties.

Following completion of the acquisition there remained only certain small loans amounts owing from Kropz SA, Kropz Elandsfontein and ELH to Kropz International.

(ii) Kropz Elandsfontein Share Purchase Agreement

A share purchase agreement dated 27 November 2018 between the Company and ARC pursuant to which the Company purchased from the ARC four per cent. of the issued share capital of Kropz Elandsfontein in consideration for the issue and allotment of 5,499,124 ordinary shares in Kropz plc to the ARC at 40 pence per ordinary share.

(b) Acquisition of Kropz SA and its subsidiaries

As it was an acquisition of more than 90 per cent. of the share capital, merger relief has been applied.

The following table summarises the consideration paid for the Kropz SA assets and the carrying value of net liabilities assumed at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	3,814
Total identifiable net liabilities assumed:	
Cash	96
Trade and other receivables	29
Other financial assets	317
Trade and other payables	(1,799)
Total identifiable net liabilities assumed	(1,357)
Amounts transferred to merger reserve	5,168
Non-controlling interests in Xsando (Pty) Ltd and West Coast Fertilisers (Pty) Ltd	3
Total	3,814

The amount of US\$ 5,168,000 transferred to the merger reserve represents the amount by which the consideration was in excess of net assets attributable to the parent company.

(c) Acquisition of Kropz Elandsfontein

The following table summarises the consideration paid for Kropz Elandsfontein and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	40,425

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Total identifiable net asset acquired:	
Property, plant, equipment and mine development	102,915
Cash	1,751
Trade and other receivables	90
Inventory	891
Trade and other payables	(57,925)
Borrowings	(29,702)
Provisions	(4,211)
Total identifiable net assets acquired	13,809
Amounts transferred to merger reserve	28,857
Non-controlling interests	(2,241)
Total	40,425

The amount of US\$ 28,857,000 transferred to the merger reserve represents the amount by which consideration was in excess of net assets attributable to the parent company.

(d) Acquisition of ELH

The following table summarises the consideration paid for ELH and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	1,422
Total identifiable net assets acquired:	
Property, plant and equipment	2,476
Cash	1
Trade and other receivables	2
Trade and other payables	(2,480)
Total identifiable net liabilities assumed	(1)
Amounts transferred to merger reserve	1,376
Non-controlling interests	47
Total	1,422

The amount of US\$ 1,376,000 transferred to the merger reserve represents the amount by which consideration was in excess of net assets attributable to the parent company.

Following completion of the re-organisation, Kropz plc owns, directly and indirectly:

- 50 per cent. + 1 share of First Gear;
- 100 per cent. of the issued share capital of Kropz SA;
- 74 per cent. of the issued share capital of Kropz Elandsfontein (36 per cent. directly, 38 per cent. indirectly); and
- 70 per cent. of the issued share capital of ELH (23 per cent. directly, 47 per cent. indirectly).

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(e) Acquisition of Cominco Resources

On 10 August 2018 Kropz plc entered into an exclusivity agreement for the proposed acquisition by Kropz plc of Cominco Resources. Cominco Resources, which through its wholly owned subsidiary, Cominco S.A., owns 100 per cent. of the Hinda Phosphate Project.

Cominco Resources is a company incorporated and domiciled in the BVI with Company Number BV No 1416753. Cominco Resources is the parent company of the Cominco Group, which includes the following subsidiaries in the consolidated financial statements:

- Cominco S.A. (RoC) – 100 per cent. interest held
- Cominco Resources (UK) Ltd (England and Wales) - 100 per cent. interest held

The Cominco Group operates solely in the RoC and Cominco S.A. holds the licences for the Cominco Group's natural resource interests in RoC.

Pursuant to the Cominco Resources offer document dated 1 November 2018, Kropz plc made an Offer to acquire the share capital of Cominco Resources at the date of admission of Kropz plc's shares to trading on AIM.

Under this Offer agreement, the key shareholders, Cominco Resources and Kropz plc agreed the sale of their shares in Cominco Resources for US\$ 85.17 cents per share (amounting to a US\$ 40 million enterprise value), to be satisfied by the issue of Kropz plc shares upon Kropz plc's shares being admitted to trading on the AIM market of the London Stock Exchange. The Offer was conditional, inter alia, on Kropz plc raising a minimum of US\$ 35 million pursuant to the placing and subscription (before expenses) and admission becoming effective.

The Company had received valid acceptances from 71.3 per cent of the Cominco Resources shareholders and accordingly, on Admission, the Company acquired 71.3 per cent of Cominco Resources.

The Offer for Cominco Resources had its final closing on 30 November 2018 and the Company had received in aggregate valid acceptances in respect of 98.97 per cent. of the ordinary shares of Cominco Resources ("Cominco Shares").

On 3 December 2018, Kropz plc announced it had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer had been declared unconditional in all respects, Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco Shares held by the remaining Cominco Resources shareholders.

The total consideration shares issued by Kropz plc to previous Cominco Resources shareholders was 77,321,651 ordinary shares at an issue price of 40 pence per ordinary share, giving a total consideration of GBP 30,928,660 (equivalent to US\$ 39,629,266).

The following table summarises the consideration paid for Cominco Resources and the carrying value of net assets acquired at the acquisition date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

	Fair value
Consideration	US'000
Total consideration for shares	39,629
Total identifiable net assets acquired:	
Exploration assets	42,038
Property, plant and equipment	8
Cash	73
Trade and other receivables	16
Trade and other payables	(751)
Total identifiable net assets acquired	41,384
Amounts transferred to exploration and evaluation assets	(1,329)
Non-controlling interests	(426)
Total	39,629

The fair value of the Company's investment has been allocated to underlying assets and liabilities and the difference has been adjusted against the exploration asset.

On 19 February 2019, Kropz plc acquired the remaining 482,927 Cominco Resources shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share, for a consideration of GBP 321,326 (equivalent to approximately US\$ 419,000).

(4) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2019, 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 Woodstock	Intermediate holding company	100 per cent.
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Cape Town 8001 South Africa	Property owner	70 per cent. *
Kropz Elandsfontein (Pty) Ltd	South Africa		Phosphate exploration and mining	74 per cent. **
West Coast Fertilisers (Pty) Ltd	South Africa		Phosphoric acid production	70 per cent.
Xsando (Pty) Ltd	South Africa		Sand sales	70 per cent.
First Gear Exploration Limited	Ghana	4 Momotse Avenue PO Box GP 1632 Accra, Ghana	Phosphate exploration	50 per cent. + 1 share
Cominco Resources Limited	BVI	Woodbourne Hall, PO Box 3162, Road Town,	Phosphate exploration	100 per cent.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Cominco S.A. Cominco Resources (UK) Ltd	RoC England and Wales	Tortola, British Virgin Islands	Development Service company	100 per cent. *** 100 per cent. ***
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* 46.67 per cent. held indirectly

** 38.18 per cent. held indirectly

*** held indirectly

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

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

	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018	31 Dec 2018
	Cost	Accumulated	Carrying	Cost	Accumulated	Carrying
	US\$'000	Depreciation	value	US\$'000	Depreciation	value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Buildings and infrastructure						
Land	2,159	-	2,159	2,108	-	2,108
Buildings	11,489	(9)	11,480	11,217	(7)	11,210
Capitalised road costs	9,214	(2,150)	7,064	8,996	(1,499)	7,497
Capitalised electrical sub-station costs	3,998	(844)	3,154	3,903	(564)	3,339
Machinery, plant & equipment						
Critical spare parts	1,213	-	1,213	1,185	-	1,185
Plant and machinery	56,357	(73)	56,284	54,329	(67)	54,262
Furniture & fittings	45	(42)	3	44	(40)	4
Geological equipment	49	(49)	-	48	(47)	1
Office equipment	36	(12)	24	35	(8)	27
Other fixed assets	1	(1)	-	1	-	1
Motor vehicles	133	(127)	6	130	(106)	24
Computer equipment	44	(39)	5	38	(33)	5
Mine development	20,354	-	20,354	18,724	-	18,724
Stripping activity costs	3,265	-	3,265	3,188	-	3,188
Game animals	213	-	213	251	-	251
Total	108,570	(3,346)	105,224	104,197	(2,371)	101,826

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2019

	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
Buildings and infrastructure						
Land	2,108	-	-	-	51	2,159
Buildings	11,210	-	-	(3)	273	11,480
Capitalised road costs	7,497	-	-	(597)	164	7,064
Capitalised electrical sub-station costs	3,339	-	-	(259)	74	3,154
Machinery, plant & equipment						
Critical spare parts	1,185	-	-	-	28	1,213
Plant and machinery	54,262	713	-	(5)	1,314	56,284
Furniture & fittings	4	-	-	(1)	-	3
Geological equipment	1	-	-	(1)	-	-
Office equipment	27	-	-	(4)	1	24
Other fixed assets	1	-	-	-	(1)	-
Motor vehicles	24	-	-	(18)	-	6
Computer equipment	5	5	-	(6)	1	5
Mine development	18,724	1,177	-	-	453	20,354
Stripping activity costs	3,188	-	-	-	77	3,265
Game animals	251	-	(44)	-	6	213
Total	101,826	1,895	(44)	(894)	2,441	105,224

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Reconciliation of property, plant, equipment and mine development – Period ended 31 December 2018

	Opening Balance US\$'000	Additions US\$'000	Disposals US\$'000	Depreciation charge US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
Buildings and infrastructure						
Land	-	2,182	-	-	(74)	2,108
Buildings	-	11,608	-	(2)	(396)	11,210
Capitalised road costs	-	8,072	-	(302)	(273)	7,497
Capitalised sub station	-	3,592	-	(131)	(122)	3,339
Machinery, plant & equipment						
Critical spare parts	-	1,256	(28)	-	(43)	1,185
Plant and machinery	-	56,057	-	-	(1,795)	54,262
Furniture & fittings	-	5	-	(1)	-	4
Geological equipment	-	3	-	(2)	-	1
Office equipment	-	30	-	(2)	(1)	27
Other fixed assets	-	1	-	-	-	1
Motor vehicles	-	37	-	(12)	(1)	24
Computer equipment	-	11	-	(5)	(1)	5
Mine development						
Mine development	-	19,384	-	-	(660)	18,724
Stripping activity costs	-	3,300	-	-	(112)	3,188
Game animals	-	293	-	-	(42)	251
Total	-	105,831	(28)	(457)	(3,520)	101,826

All additions during the period, other than US\$ 531,000 in relation to plant and machinery, were made on the acquisition of subsidiaries.

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 care and maintenance. The Directors have therefore carried out an impairment assessment. Property, plant, equipment and mine development's recoverable amount was calculated based on the asset's value in use, using a discounted cash flow model using cash flow projections

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

approved by management over the life of the mine and is most sensitive to the following key estimates and assumptions:

- Phosphate rock prices;
- Phosphate recoveries; 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 comparable to market consensus forecasts 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 carry amount and therefore assets were not impaired. The positive results of the year end impairment review enabled the impairment provision recognised in the Interim Report to be reversed.

Sensitivity Analysis

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

		Increase/(decrease) in headroom US\$m
Impact if selling prices / production tonnes	increased by 10%	63
	reduced by 10%	(63)
Impact if operating costs:	increased by 10%	(34)
	reduced by 10%	34

(6) Intangible assets - Exploration and evaluation costs

	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018	31 Dec 2018
	Cost	Amort- isation	Carrying value	Cost	Amort- isation	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capitalised costs	40,192	-	40,192	40,772	-	40,772

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	Foreign exchange loss US\$'000	Closing balance US\$'000
Year ended 31 December 2019				
Capitalised exploration costs	40,772	289	(869)	40,192

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

	Opening Balance US\$'000	Additions US\$'000	Amounts transferred on acquisition of subsidiaries (Note 3) US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
Period ended 31 December 2018					
Capitalised exploration costs	-	42,083	(1,267)	(44)	40,772

(7) Right-of-use assets

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Cost		
Capitalisation due to transition to IFRS 16	54	-
Foreign exchange gains	1	-
As at 31 December	55	-
Amortisation		
Charge for the year	18	-
As at 31 December	18	-
Net book value	37	-

(8) Amounts due from a director

	31 December 2019 US\$'000	31 December 2018 US\$'000
Mike Nunn	-	33
Total	-	33

The amounts are unsecured, interest free and repayable on demand. The full amount was repaid in the 2019 financial year.

(9) Other financial assets

	31 December 2019 US\$'000	31 December 2018 US\$'000
DMR guarantee	712	695
Eskom guarantee (1)	-	124
Eskom guarantee (2)	373	364
Eskom guarantee (3)	378	370
Heritage Western Cape Trust	71	70
Total	1,534	1,623

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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”.

Eskom guarantee (1)

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR 1,788,433 in respect of a “contract works security guarantee”.

Eskom guarantee (2)

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

Eskom guarantee (3)

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

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 Elandsfontein Exploration & Mining (Pty) Ltd lodges 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.

(10) Inventories

	31 December 2019 US\$'000	31 December 2018 US\$'000
Consumables	851	838
Spare parts	24	23
Total	875	861

(11) Trade and other receivables

	31 December 2019 US\$'000	31 December 2018 US\$'000
Prepayments and accrued income	62	-
Deposits	49	47
VAT	71	198
Other receivables	147	86
Total	329	331

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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.

(12) Cash and cash equivalents

	31 December 2019 US\$'000	31 December 2018 US\$'000
Bank balances	15,528	30,456
Cash on hand	2	1
Total	15,530	30,457

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

The Company was incorporated with an issued share capital of GBP 1 made up of one ordinary share of GBP 1. 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:

	Number of shares	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Total US\$'000
On incorporation	1	-	-	-	-
Issued to Kropz International (a)	49,999	-	70	-	70
Subdivision of shares (b)	450,000	-	-	-	-
Issued to Kropz International (c)	163,221	-	117	-	117
Issued to Kropz International (e)	1	-	-	-	-
Issued to Kropz International (f)	93,260,034	120	69,320	3,809	73,249
Issued to ARC (h)	5,499,124	7	2,811	-	2,818
Capitalisation of debt (i)	9,875,698	13	5,049	-	5,062
Conversion of Loan Note (j)	6,902,148	9	2,520	-	2,529
Offer for Cominco Resources (k)	55,669,176	71	28,461	-	28,532
Placing and Subscription shares (l)	68,359,376	88	34,949	-	35,037
Further acceptances of Offer for Cominco Resources (m)	21,652,475	27	-	11,069	11,096
Cost of issuing shares	-	-	(1,271)	-	(1,271)

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Adjustments on acquisition of subsidiaries	-	-	-	(35,401)	(35,401)
At 31 December 2018	261,881,253	335	142,026	(20,523)	121,838
Issue of shares to advisers	1,357,080	2	708	-	710
Issue of shares on compulsory redemption of Cominco Resources minorities	803,315	1	418	-	419
Placing of shares	19,364,659	25	4,248	-	4,273
Warrants issued	-	-	(30)	-	(30)
Cost of issuing shares	-	-	(31)	-	(31)
As at 31 December 2019	283,406,307	363	147,339	(20,523)	127,179

The changes to the issued share capital of the Company which occurred between the date of incorporation and 31 December 2018 are as follows:

- On 20 March 2018, the Company issued and allotted 49,999 ordinary shares to Kropz International for cash at a nominal value of GBP 1 per ordinary share;
- On 4 June 2018, each ordinary share of GBP 1 each in the capital of the Company was divided into 10 ordinary shares of 10 pence each in the capital of the Company;
- On 21 August 2018, the Company issued 163,221 Ordinary Shares to Kropz International pursuant to a share for share exchange whereby Kropz International received 163,221 Ordinary Shares in consideration for the transfer of: (i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and (ii) the novation rights and obligations under the First Gear loan agreements to the Company;
- On 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 Ordinary Shares of 0.01 pence per share and 663,221 deferred shares of GBP 0.099 each in the capital of the Company ("Deferred Shares");
- On 27 November 2018, the company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company to Kropz International in cash for 1 pence, resulting in an issued share capital of 663,222 Ordinary Shares and 663,221 Deferred Shares;
- On 27 November 2018, the Company issued 93,260,034 Ordinary Shares (the "Reorganisation Shares") to Kropz International pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company (1) and Kropz International (2) whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of US\$ 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of US\$ 30,743,792; and (vi) the benefit of the outstanding ELH loan account of US\$ 1,692,072;
- On 27 November 2018, the Company bought back the Deferred Shares for an aggregate sum of 1 pence and these were then cancelled;
- On 27 November 2018, the Company issued 5,499,124 Ordinary Shares to ARC (the "ARC Consideration Shares") pursuant to a share purchase agreement whereby ARC received the

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein;

- i) A debt capitalisation letter dated 8 October 2018 pursuant to which the ARC agreed to capitalise the amount of US\$ 5.06 million (owing from the Company to the ARC following various restructuring and capitalisations implemented by the Kropz Group in the pre-Admission restructuring). The Capitalisation was conditional on Admission and resulted in the issue of 9,875,698 Ordinary Shares to ARC upon Admission;
- j) On 27 November 2018, the Company executed the Convertible Loan Note Instrument pursuant to which the Company issued Convertible Notes to Kropz International at a rate of one month LIBOR plus 3 per cent. per annum and a final maturity date of 31 December 2019. The principal amount of the Convertible Notes of US\$ 2,500,000 and accrued interest of US\$ 29,328 was automatically converted into Conversion Shares on Admission at 28.6 pence per share, a 28.5 per cent. discount to the Placing Price;
- k) The Company conditionally offered to acquire the entire issued and to be issued share capital of Cominco Resources on the basis of 1.66 Ordinary Share for each Cominco Share. As at the first closing Date (21 November 2018), valid acceptances to accept the Offer were received in respect of 33,465,747 Cominco Shares representing 71.3 per cent. of the Cominco Shares and, accordingly, the Offer became unconditional as to acceptances. On Admission on 30 November 2018, the Company acquired 71.3 per cent. of Cominco Resources, which required the allotment and issue of 55,669,176 Ordinary Shares to Cominco Resources shareholders on Admission at 40 pence a share (GBP 22,267,670, approximately US\$ 28,532,000);
- l) On Admission, the Company raised GBP 27,343,750 (approximately US\$ 35,036,000) by way of the Placing and Subscription of 68,359,376 Ordinary Shares at 40 pence per share; and
- m) Further acceptances of the Offer for Cominco Resources were received on 3 December 2018 in respect of 13,016,470 Cominco Shares representing 27.67 per cent. of the Cominco Shares for which a further 21,652,475 Ordinary Shares of Kropz were allotted and issued at 40 pence per share (GBP 8,660,990, approximately US\$ 11,096,000).

Issue of shares in the year ended 31 December 2019:

On 1 February 2019, the Company issued 1,357,080 new ordinary shares of 0.1 pence each in the capital of the Company at a price of 40 pence per share for a total consideration of GBP 542,832 (equivalent to approximately US\$ 710,000) and 1,116,544 warrants at an exercise price of 40 pence per warrant to certain advisers in lieu of cash fees arising from their involvement with the Company's admission to AIM on 30 November 2018 and the acquisition of Cominco Resources. The new ordinary shares were admitted to trading on AIM on 6 February 2019.

As Kropz had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer was declared unconditional in all respects, on 19 February 2019 the Company applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding ordinary shares of Cominco Resources held by the remaining Cominco Resources shareholders ("Compulsory Redemption"). Pursuant to the Compulsory Redemption, Kropz acquired the remaining 482,927 Cominco Shares for which a further 803,315 ordinary shares were issued at a price of 40 pence per share for a total consideration of GBP 321,326 equivalent to approximately US\$ 423,000). The new ordinary shares were admitted to trading on AIM on 22 February 2019, resulting in an issued share capital of 264,041,648 Ordinary Shares. Following the Compulsory Redemption, the Company holds 100 per cent. of the issued share capital of Cominco Resources.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

A difference of approximately US\$ 9,000 arose between the consideration paid and the amount by which the non-controlling interests have been adjusted. This has been recognised directly in equity and attributed to the owners of the parent.

On 3 July 2019, the Company raised US\$ 4.3 million (GBP 3.4 million) before expenses by way of a placing (the “Placing”) for 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 pence per ordinary share (the “Placing Shares”).

The net proceeds of the placing was used to provide additional working capital and more specifically to further advance the programme of works being carried out at its Elandsfontein, Hinda and Aflao projects.

The Placing Shares were admitted to trading on AIM on 3 July 2019. The Placing Shares were issued as fully paid and rank pari passu in all respects with the existing ordinary shares.

Following the issue of the Placing Shares and their admission to AIM, the Company has 283,406,307 ordinary shares in issue.

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”) – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- an executive long-term incentive plan (the “LTIP”) – 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”).

The Company issued a total of 8,190,355 share options during the period ended 31 December 2018. An option-holder has no voting or dividend rights in the Company before the exercise of a share option. The options will vest as to performance as follows:

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Share-option 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 ESOP options awarded to him lapsed and expired on that date.

The charge to profit and loss was US\$ 137,000 (31 December 2018: US\$ nil).

No LTIP awards were made during the year ended 31 December 2019 (31 December 2018: Nil).

Equity warrants

The Company issued 1,116,544 equity warrants over ordinary shares in the Company during the year, as more fully described above (period ended 31 December 2018: 83,456 equity warrants). No equity warrants have been exercised or forfeited. Accordingly, 1,200,000 equity warrants remained in place at 31 December 2019 (31 December 2018: 83,456 equity warrants).

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 during the year was US\$ 30,000 (31 December 2018: US\$ nil).

(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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Share-based payment reserve

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

(15) Shareholder loan payable

	31 December 2019 US\$'000	31 December 2018 US\$'000
ARC	14,701	14,386

As part of the wider group reorganisation during 2018, certain shareholder loans in Kropz SA, Kropz Elandsfontein and ELH were consolidated and set-off against various other loans receivable and payable.

The consolidation and set-off of various loans was completed in order to simplify the debt structure of the Group. In addition, loans payable to Kropz International and ARC were reduced through the issue of new share capital in Kropz SA, Kropz Elandsfontein and ELH.

The remaining loans payable to Kropz International were novated to Kropz plc on 27 November 2018 in exchange for new shares in Kropz plc. Following the debt restructuring, there are no loans payable to Kropz International by the Kropz Group. All shareholder loans outstanding at 31 December 2019 are in relation to amounts due to ARC which holds a 49.3 per cent. interest in Kropz plc.

The loans are: (i) US\$ denominated but any payments will be made in ZAR at the then current exchange rate; (ii) carry interest at monthly US LIBOR plus 3 per cent; and (iii) are repayable by no later than 1 January 2035 (or such earlier date as agreed between the parties to the shareholder agreements). Details of the group reorganisation are provided in Note 3.

Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

(16) Finance lease liabilities

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
In respect of right-of-use assets		
Additions during the year	54	-
Repayments during the year	(15)	-
Foreign exchange differences	1	-
Lease liabilities at end of year / period	40	-
	As at 31 December 2019 US\$'000	As at 31 December 2018 US\$'000
Maturity		
Current	19	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Non-current	21	-
Total lease liabilities	40	-

(17) Other financial liabilities

	31 December 2019 US\$'000	31 December 2018 US\$'000
BNP	29,537	29,551
Greenheart Foundation	445	517
Other loans	-	1
Total	29,982	30,069
Non-current financial liabilities	-	29,551
Current financial liabilities	29,982	518
Total	29,982	30,069

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 per cent. 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. In June 2018 management determined that the completion of the project was likely to be delayed until Q4 of 2021 and the anticipated cost of the project might increase by up to US\$ 20m. These developments meant that Kropz Elandsfontein was not in full compliance with the terms of the facility agreement and a standstill arrangement was put in place whilst a plan for the recommissioning of the project was agreed with BNP. In accordance with IFRS the non-compliance with the facility agreement terms has required the loan to be classified as a current liability at 31 December 2019. The facility has been fully drawn down.

During January 2020, given the delays in agreeing the recommissioning plan 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 per cent. plus US LIBOR, up to project completion and 4.5 per cent. plus US LIBOR thereafter. Financial closure occurred on 25 June 2020.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(18) Provisions

Reconciliation of provisions – Year ended 31 December 2019

	Opening Balance US\$'000	Additions/ Adjustments US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
Provision for dismantling costs	518	119	13	650
Provisions for rehabilitation	3,413	(443)	82	3,052
Total	3,931	(324)	95	3,702

Reconciliation of provisions – Period ended 31 December 2018

	Opening Balance US\$'000	Additions US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
Provision for dismantling costs	-	539	(21)	518
Provisions for rehabilitation	-	3,512	(99)	3,413
Total	-	4,051	(120)	3,931

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, technologic and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances.

(19) Trade and other payables

	31 December 2019 US\$'000	31 December 2018 US\$'000
Trade payables	932	10,138
Other payables	91	1,394
Accruals	513	424
Total	1,536	11,956

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) Other tax liabilities

	31 December 2019 US\$'000	31 December 2018 US\$'000
Withholding taxes	451	-
Total	451	-

The withholding tax liabilities relate to the loan from ARC.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

(21) Commitments

	31 December 2019 US\$'000	31 December 2018 US\$'000
Authorised capital commitments	5,698	250

The committed expenditure relates to plant construction.

(22) Directors' remuneration, interests and transactions

The Directors of the Company and two executives of Kropz Elandsfontein are considered to be the Key Management Personnel of the Group. Details of the Directors remuneration, Key Management Personnel remuneration which totalled US\$ 1,333,360 (2018: US\$ 480,131) (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 2019 GBP exchange rate of 0.758 and ZAR exchange rate of ZAR 14.040.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of US\$ 388,742 (2018: US\$ 341,589).

(23) Finance income

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Foreign currency gains	855	-
Interest income received	783	382
Total	1,638	382

(24) Operating expenses

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Foreign exchange loss	-	1,555
Fair value loss on game animals	43	32
Amortisation of right of use asset	18	-
Depreciation of property, plant and machinery	894	457
Employee costs	1,361	613
Share option cost	137	-
Electricity and water – mine operations	886	26
Inventory expense	6	-
Mining costs	429	197
Plant operating costs and recoveries	884	127
Professional and other services	1,043	1,610
Auditor's remuneration in respect of audit of the Group and parent	83	80
Auditor's remuneration in respect of audit of the Cominco Group	29	25

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Other expenses	955	952
Total	6,631	5,674

(25) Staff costs

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
The average monthly number of employees was:		
Operations	8	7
Finance and administration	5	2
Management	2	5
	15	14

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	1,112	577
Social security costs	111	48
Share-based payments	137	-
Pension costs	1	-
	1,361	625

(26) Finance expense

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Shareholder loans	768	409
Foreign exchange losses	-	1,555
Bank debt	2,892	357
Finance leases	2	-
Total	3,662	2,321

(27) Taxation

Major components of tax charge	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Deferred		
Originating and reversing temporary differences	-	-
Current tax		
Local income tax recognised in respect of current periods	34	-
Local income tax recognised in respect of prior periods	84	66
Total	118	66

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Reconciliation of tax charge

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Loss before tax	(8,646)	(7,611)
Applicable UK tax rate	19%	19%
Tax at applicable tax rate	(1,643)	(1,446)
Adjustments for different tax rates in the Group	(981)	(525)
Disallowable expenditure	146	373
Prior period tax charge	84	66
Losses carried forward not recognised	2,512	1,598
Tax charge	118	66

The movement in tax liabilities is summarised below:

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Balance brought forward	66	-
Prior period tax charge	-	66
Current year / period charge	118	-
Tax paid	(15)	-
Foreign exchange differences	5	-
Balance carried forward	174	66

The Group had losses for tax purposes of approximately US\$ 37.6 million as at 31 December 2019 (2018: US\$ 27.8 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\$ 10.5 million (2018: US\$ 7.8 million), after set off of accelerated depreciation allowances in respect of fixed assets of US\$ 27.1 million (2018: US\$ 26.0 million), arises in respect of these losses. It has not been established as the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain. 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 2019 US\$'000	Period ended 31 December 2018 US\$'000
Loss attributable to ordinary shareholders	(6,290)	(6,255)
Weighted average number of ordinary shares in Kropz plc	273,467,747	24,575,156

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Basic and diluted loss per share (US\$ cents)	<u>(2.30)</u>	<u>(25.45)</u>
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Because the Group is in a net loss position, diluted loss per share excludes the effects of ordinary share equivalents consisting of stock options and warrants, which are anti-dilutive.

(29) Notes to the statement of cash flows

Issue of shares

Year ended 31 December 2019

	Non-cash consideration US\$'000	Cash consideration US\$'000	Total US\$'000
Issue of shares to advisers	710	-	710
Issue of shares on compulsory redemption of Cominco Resources minorities	419	-	419
Placing of shares	-	4,243	4,243
Cost of issuing shares	-	(31)	(31)
As at 31 December 2019	1,129	4,212	5,341

Net debt reconciliation

Year ended 31 December 2019

	Opening Balance US\$'000	New agreements US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Cash and cash equivalents	30,457	-	(15,792)	865	15,530
Other financial assets	1,623	-	(124)	35	1,534
Shareholder loan payable	(14,386)	-	32	(347)	(14,701)
Other financial liabilities	(30,068)	-	814	(728)	(29,982)
Finance leases	-	(55)	16	(1)	(40)
Total	(12,374)	(55)	(15,054)	(176)	(27,659)

Period ended 31 December 2018

	Opening Balance US\$'000	Assumed on acquisition of subsidiaries US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Cash and cash equivalents	-	300	30,164	(7)	30,457
Other financial assets	-	1,680	-	(57)	1,623
Shareholder loan payable	-	(14,178)	(696)	488	(14,386)
Other financial liabilities	-	(30,238)	(867)	1,037	(30,068)
Total	-	(42,436)	28,601	1,461	(12,374)

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

	Shareholder loans (Note 15) US\$'000	Other financial liabilities (Note 17) US\$'000	Finance leases (Note 16) US\$'000	Total US\$'000
At 10 January 2018	-	-	-	-
Assumed on purchase of subsidiaries	14,178	30,238	-	44,416
Amounts advanced	696	867	-	1,563
Effect of foreign exchange movements	(488)	(1,037)	-	(1,525)
At 31 December 2018	14,386	30,068	-	44,454
Amounts advanced / (repaid)	(33)	(814)	39	(808)
Effect of foreign exchange movements	348	728	1	1,077
At 31 December 2019	14,701	29,982	40	44,723

Reconciliation of working capital items:

Year ended 31 December 2019

	Opening Balance US\$'000	Cash movements US\$'000	Issue of shares (Note 13) US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Trade and other receivables	331	(66)	-	64	329
Inventories	861	(6)	-	20	875
Trade and other payables	(11,596)	9,771	710	(421)	(1,536)
Provisions	(3,931)	324	-	(95)	(3,702)

(30) Related parties

Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

Name	Relationship
Mark Summers	Director
Ian Harebottle	Director
Mike Nunn	Director
Linda Beal	Director
Mike Daigle	Director
Lord Robin William Renwick	Director
Machiel Johannes Reyneke	Director
Kropz SA	Subsidiary
ELH	Subsidiary
Kropz Elandsfontein	Subsidiary
West Coast Fertilisers (Pty) Ltd	Subsidiary
Xsando (Pty) Ltd	Subsidiary
First Gear Exploration Limited	Subsidiary

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
ARC	Shareholder

Details of remuneration to KMP are contained in Note 22 to the Consolidated Financial Statements.

Details of the group reorganisation in 2018 and associated transactions with shareholders are explained in Note 3, 13 and 15. In addition, following transactions were carried out with related parties:

Related party balances

Loan accounts – Owed (to) / by related parties

	31 December 2019 US\$'000	31 December 2018 US\$'000
ARC	(14,701)	(14,386)
M Nunn	-	33
Others	-	(1)
Total	(14,701)	(14,354)

Related party balances

Interest paid to related parties

	Year ended 31 December 2019 US\$'000	Period ended 31 December 2018 US\$'000
Kropz International	-	345
ARC	768	64
Total	768	409

(31) Categories of financial instrument

Financial assets by category

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

	31 December 2019 US\$'000	31 December 2018 US\$'000
Financial assets at amortised cost		
Trade and other receivables	329	331
Due from a director	-	33
Other financial assets	1,534	1,623
Cash and cash equivalents	15,532	30,457
Total	17,395	32,444

Financial liabilities by category

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

	31 December 2019 US\$'000	31 December 2018 US\$'000
Financial liabilities at amortised cost		
Shareholder loans payable	14,701	14,386
Trade and other payables	1,536	11,956
Finance leases	40	-
Other financial liabilities	29,982	30,069
Tax liabilities	625	-
Total	46,884	56,411

(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
At 31 December 2019				
Shareholder loans payable	-	-	-	28,021
Trade and other payables	1,536	-	-	-
Finance leases	19	21	-	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Other financial liabilities	2,726	2,281	33,751	-
Total	4,281	2,302	33,751	28,021
	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
At 31 December 2018				
Shareholder loans payable	-	-	-	20,927
Trade and other payables	11,956	-	-	-
Other financial liabilities	2,251	13,718	20,850	-
Total	14,207	13,718	20,850	20,927

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 2019, if interest rates on the shareholder and BNP loans (denominated in US\$) had been 1 per cent higher/lower with all other variables held constant, post-tax losses and equity for the year / period would have been approximately US\$ 440,000 (2018: US\$ 40,000) 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 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
As at 31 December 2019			
Financial assets denominated in US\$	-	1,252	1,252

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

Financial liabilities denominated in US\$	(44,689)	-	(44,689)
Net foreign currency exposure	(44,689)	1,252	(43,437)

	South African Rand US\$'000	Total US\$'000
As at 31 December 2018		
Financial assets denominated in US\$	-	-
Financial liabilities denominated in US\$	(43,936)	(43,936)
Net foreign currency exposure	(43,936)	(43,936)

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 per cent. 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 2019 Increase/ (Decrease) US\$'000	As at 31 December 2018 Increase/ (Decrease) US\$'000
Effects on net assets		
Rand:		
- strengthened by 10 per cent.	(4,469)	(4,394)
- weakened by 10 per cent.	4,469	4,394
Effects on net assets		
GBP:		
- strengthened by 10 per cent.	125	-
- weakened by 10 per cent.	(125)	-

(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

Since the acquisition of First Gear in June 2018, and the acquisitions of Kropz SA, Kropz Elandsfontein, ELH and Cominco Resources in November 2018, the Group has operated in three principal geographical areas – Ghana, South Africa and the RoC.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

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

	South Africa US\$'000	Ghana US\$'000	Congo US\$'000	Group US\$'000
As at 31 December 2019				
Total non-current assets	106,851	-	40,136	146,987
As at 31 December 2018				
Total non-current assets	103,441	62	40,718	144,221

(34) Non-controlling interests

	31 December 2019 US\$'000	31 December 2018 US\$'000
As at beginning of year / period	1,138	-
Share of losses for the year / period	(2,474)	(1,422)
Share of other comprehensive income	33	-
Purchase of non-controlling interests in subsidiaries	(425)	2,560
As at end of the year / period	(1,728)	1,138
Non-controlling interests in cash flows	(4,403)	(1,381)

(35) Material subsequent events

On 13 May 2020, the Company announced that it had entered into a conditional convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder ("Equity Facility"). The proceeds of the Equity Facility will be used to bring the Company's Elandsfontein phosphate project, located in South Africa, into production in Q4 2021.

On 1 June 2020, the Company raised a total of US\$ 353,595 (before expenses) by way of an equity placing with an existing investor and two directors, Lord Robin Renwick and Mark Summers, at a price of 6.75 pence per ordinary share. 4,505,060 shares were placed with placees of which 300,000 shares were placed with Lord Robin Renwick and 30,000 with Mark Summers.

In June 2020, the Company undertook an equity placing to existing shareholders ("Open Offer"). As announced on 29 June 2020, the Company received valid acceptances and excess applications from qualifying shareholders for a total of 25,849,920 Open Offer Shares. Consequently, all excess applications have been accepted and allotted in full and the Company has raised gross proceeds of approximately GBP 1.74 million. Mark Summers, interim CEO, has subscribed for 50,000 Open Offer Shares. ARC, Kropz's major shareholder, subscribed for 25,481,482 Open Offer Shares under the Open Offer.

After conclusion of the Equity Facility, Kropz Elandsfontein and BNP entered into an amendment and restatement agreement in May 2020 pursuant to which Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016. The facility has been fully drawn. 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 per cent. US plus LIBOR, up to project completion and 4.5 per cent. US plus LIBOR

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

thereafter. Financial closure occurred on 25 June 2020. In accordance with IFRS 9, the loss to be recognised in profit and loss arising from the modification of the loan subsequent to the year end amounts to approximately US\$ 900K.

Coronavirus Outbreak

The COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. The timing and extent of the impact and recovery from COVID-19 is unknown but it may affect planned activities and potentially display a post balance sheet date impact. The Elandsfontein project timetable is not currently affected. In line with the Directive, care and maintenance operations have continued on site.

As announced on 16 March 2020, the Water Tribunal has been postponed indefinitely. The Company does not expect the Water Tribunal to be rescheduled until after the Directive has been lifted. Pending the Water Tribunal's decision, there is no legal impediment to the continuation of the water use activities authorised in the WUL.

(36) Ultimate controlling party

The Directors consider ARC to be the ultimate controlling party of the Company.

Company Statement of Financial Position
(Registered number: 11143400)
As at 31 December 2019

	Notes	31 December 2019 US\$'000	31 December 2018 US\$'000
Fixed assets			
Investment in subsidiaries	3	117,709	111,606
Amounts due from subsidiaries		41,790	39,820
		<u>159,499</u>	<u>151,426</u>
Current assets			
Debtors	4	1,851	201
Cash and bank balances		1,654	5,144
		<u>3,505</u>	<u>5,345</u>
Creditors			
Amounts falling due within one year	7	354	2,449
		<u>354</u>	<u>2,449</u>
Net current assets		<u>3,151</u>	<u>2,896</u>
Total assets less current liabilities		<u>162,650</u>	<u>154,322</u>
Net Assets		<u>162,650</u>	<u>154,322</u>
Capital and Reserves			
Share capital	5	363	335
Share premium account		147,339	142,026
Merger reserve		14,878	14,878
Foreign currency translation reserve		2,270	(956)
Share-based payment reserve		167	-
Retained losses		(2,367)	(1,961)
		<u>162,650</u>	<u>154,322</u>

Capital and reserves include losses for the year of the parent company of US\$ 406,000 (2018: losses of US\$ 1,961,000).

The Notes on pages 114 to 118 form an integral part of these Financial Statements.

The Financial Statements on pages 112 to 118 were approved and authorised for issue by the Board of Directors on 31 July 2020 and were signed on its behalf by:



Mark Summers, Chief Financial Officer
31 July 2020

Company Statement of Changes in Equity

For the year ended 31 December 2019

	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 losses US\$'000	Total US\$'000
At 10 January 2018							
Loss for the period	-	-	-	-	-	(1,961)	(1,961)
Other comprehensive income	-	-	-	(956)	-	-	(956)
Total comprehensive income for the period	-	-	-	(956)	-	(1,961)	(2,917)
Issue of shares	335	143,297	14,878	-	-	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	-	(1,271)
Transactions with owners	335	142,026	14,878	-	-	-	157,239
At 31 December 2018	335	142,026	14,878	(956)	-	(1,961)	154,322
Loss for the year	-	-	-	-	-	(406)	(406)
Other comprehensive income	-	-	-	3,226	-	-	3,226
Total comprehensive income for the period	-	-	-	3,226	-	(406)	2,820
Issue of shares	28	5,344	-	-	30	-	5,402
Costs of issuing shares	-	(31)	-	-	-	-	(31)
Share-based payment charges	-	-	-	-	137	-	137
Transactions with owners	28	5,313	-	-	167	-	5,508
At 31 December 2019	363	147,339	14,878	2,270	167	(2,367)	162,650

Notes to the Company Financial Statements for the year ended 31 December 2019

1. General information

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.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company's Financial Statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the Financial Statements on a going concern basis. Disclosures in relation to going concern are shown in Note 2 (a) to the Consolidated Financial Statements.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate Financial Statements. The loss attributable to members of the Company for the year ended 31 December 2019 is US\$ 406,000 (period ended 31 December 2018: loss of US\$ 1,961,000).

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments

Going concern

Cash and cash equivalents totalled US\$ 1.65 million as at 31 December 2019 (2018: US\$ 5 million). The Company has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

Notes to the Company Financial Statements for the year ended 31 December 2019 (continued)

In May 2020, Kropz entered into a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Equity Facility is expected to bring the Company's Elandsfontein project, into production in Q4 2021. The equity facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the US\$ 40 million and ZAR 200 million currently locked up by BNP in the accounts of Kropz Elandsfontein. In due course the ZAR 200 million ringfenced by BNP will be released and utilised towards funding the construction and completion of Elandsfontein. Kropz Elandsfontein renegotiated and amended the BNP US\$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to 30 September 2024. Entering into and closing the amended facility agreement with BNP removed the technical default announced to shareholders in February 2020.

In addition, the Group raised US\$ 353,595, before expenses (approximately GBP 283,843) from an equity placing to an existing investor and two directors on 1 June 2020 and raised a further US\$ 2,163,639, before expenses (approximately GBP 1,744,870) from an open offer to existing shareholders on 26 June 2020.

Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. 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-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The directors have reviewed the overall position and outlook in respect of the matters identified above and have prepared a cash flow forecast for the Company which indicates that the Company will need to raise further funds in the second half of 2021 for working capital purposes and to progress the Hinda project. Management have been successful in raising funds in the past and the directors consider it to be appropriate to prepare the Company financial statements on a going concern basis. However, there is no certainty that adequate funds will be available when needed and the COVID-19 pandemic may adversely impact on the ability of the Company to raise the necessary funding. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Company'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 Company not continue as a going concern.

(b) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

(c) Fixed asset investments

Fixed asset investments in Group undertakings are carried at cost less any provision for impairment.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes to the Company Financial Statements for the year ended 31 December 2019 (continued)

Exchange differences arising on the translation of the Company's results and net assets from its functional currency of GBP to the presentational currency of US\$ are taken to the foreign currency translation reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Share-based payment arrangements

The policy for the Company's share-based payment arrangements can be found in Note 2(q) of the Consolidated Financial Statements.

3. Investment in subsidiaries

	31 December 2019 US\$'000	31 December 2018 US\$'000
Cost		
At beginning of the year / period	111,606	-
Acquisition of subsidiaries	419	85,295
Purchase of preference shares in Kropz Elandsfontein	5,689	26,311
Impairment of investment in First Gear	(5)	-
At 31 December	117,709	111,606

Details of the Company's acquisitions are set out in Note 3 to the Consolidated Financial Statements.

Details of the Company's subsidiaries as at 31 December 2019 are set out in Note 4 to the Consolidated Financial Statements.

4. Debtors

	31 December 2019 US\$'000	31 December 2018 US\$'000
VAT recoverable	16	138
Preference dividends due from subsidiary – Kropz Elandsfontein	1,664	-
Other debtors	171	63
Net Book Value	1,851	201

5. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in Note 13 to the Consolidated Financial Statements.

Notes to the Company Financial Statements for the year ended 31 December 2019 (continued)

The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

6. 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 financial statements from their functional currencies to the presentational currency.

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.

Share-based payment reserve

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

7. Creditors: amounts falling due within one year

	31 December 2019 US\$'000	31 December 2018 US\$'000
Trade creditors	95	1,729
Taxes and social security	19	21
Corporation taxes	122	-
Other creditors and accruals	118	699
Net Book Value	354	2,449

8. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 22 to the Consolidated Financial Statements.

The following transactions and balances with subsidiaries occurred in the year:

	31 December 2019 US\$'000	31 December 2018 US\$'000
Opening balance	39,820	-
Merger and acquisition of subsidiaries	-	39,820
Loans advanced	2,278	-

**Notes to the Company Financial Statements for the year ended 31 December 2019
(continued)**

Impairment provision – First Gear	(306)	-
Net Book Value	41,792	39,820

9. Subsequent events

Disclosures in relation to events after 31 December 2019 are shown in Note 35 to the Consolidated Financial Statements.

Company information

Directors

Lord Robin William Renwick of Clifton, Non-executive Chairman
Mark Robert Summers, Interim Chief Executive Officer and Chief Financial Officer
Michael (Mike) John Nunn, Non-executive Director
Machiel Johannes Reyneke, Non-executive Director
Michael (Mike) Albert Daigle, Independent Non-executive Director
Linda Janice Beal, Independent Non-executive Director

Company secretary

Mark Robert Summers

Company number

11143400

Registered address

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