

**Company Registration No: 11143400**

**Kropz plc**

**Annual Report and Accounts for the year ended 31 December 2020**

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## Highlights

### Key developments during the 2020 financial year

#### Corporate

- Kropz Plc (“Kropz” or “the Company”) 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 (“Original Equity Facility”) in June 2020, to be used exclusively for the development of the Elandsfontein phosphate project (“Elandsfontein”) in South Africa;
- The first drawdown on the Original Equity Facility occurred on 26 June 2020 for US\$ 10 million, and two further drawdowns for US\$ 4 million and US\$ 5 million in terms of the Original Equity Facility were concluded on 25 September 2020 and 10 December 2020, respectively;
- Completion of an open offer to existing shareholders to raise up to US\$ 4 million, before expenses, at an issue price of 6.75 pence per ordinary share (“Open Offer”). The Open Offer closed on 26 June 2020 and raised US\$ 2,163,639, before expenses (approximately GBP 1,744,870). The proceeds of the Open Offer were used for general working capital purposes;
- Completion of an equity placing to an existing investor and two Directors for US\$ 353,595, before expenses (approximately GBP 283,843), at an issue price of 6.75 pence per ordinary share (“the Placing”) on 1 June 2020. The proceeds of the Placing were used to progress work at Hinda;
- Cash and cash equivalents, as at 31 December 2020, of US\$ 12 million (2019: US\$ 16 million);
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP Paribas SA (“BNP”), as at 31 December 2020, of US\$7 million (2019: US\$ Nil); and
- Property, plant, equipment and development and exploration assets of US\$ 159 million (2019: US\$ 145 million).

#### Elandsfontein

- The primary focus of Kropz in 2020 was the Elandsfontein project in South Africa;
- Kropz Elandsfontein (Pty) Ltd (“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. The amended facility agreement caters for an interest rate of 6.5per cent. plus US LIBOR, up to project completion (as per the amended BNP facility agreement expected to be December 2022) and 4.5per cent. plus US LIBOR thereafter, payable quarterly. The BNP facility remains fully drawn;
- Eriez completed pilot scale test work to confirm and optimise the remedial process flow sheet;
- The test work confirmed that the modified Elandsfontein processing plant can produce a final concentrate to specification of 68 per cent. BPL (31per cent. P<sub>2</sub>O<sub>5</sub>);
- Engineering and design of the plant indicated that additional equipment would be required, including:
  - new stacked screens to optimise the milling circuit;
  - a water treatment plant;
  - attritioning and conditioning circuits;
  - additional flotation cells to float the coarse size fraction of +212 microns; and
  - ancillary infrastructure and modifications of the original Elandsfontein processing plant;
- 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”) in March 2020;
- Orders were placed for several long lead items, including stacked screens, flotation cells and cyclones;
- Site based construction activities commenced at Elandsfontein in August 2020 and advanced well through the year, despite the COVID pandemic; and
- Equipment and steel procurement and fabrication continued, with first major mechanical equipment items delivered to site.

## Highlights (continued)

### Hinda

- Kropz concluded a competitive tender process for the updating of the 2015 Hinda feasibility study ("Updated FS");
- RoC government approval of the new terms of reference for the updated Environmental and Social Impact Assessment ("ESIA"); and
- Conclusion of a focussed logistics study for Hinda, completed by Hatch Africa (Pty) Ltd ("Hatch") in September 2020.

### Key developments post the financial year end

#### Corporate

- Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz;
- The fourth drawdown on the Original Equity Facility occurred on 10 March 2021 for US\$ 7 million;
- The fifth drawdown on the Original Equity Facility occurred on 23 June 2021 for US\$ 11 million;
- US\$ 3 million remains undrawn at 29 June 2021 on the Original Equity Facility;
- The first drawdown on the Further Equity Facility occurred on 10 March 2021 for US\$ 2 million;
- The second drawdown on the Further Equity Facility occurred on 23 June 2021 for US\$ 2 million; and
- US\$ 1 million remains undrawn at 29 June 2021 on the Further Equity Facility.

#### Elandsfontein

- Significant progress continues to be made at Elandsfontein and the project remains on track for achieving the target date for commissioning in Q4 2021, within the current projected capital budget;
- Earthworks and civil construction is complete;
- Fabrication, installation and assembly of structural steel, platework and piping is ongoing;
- Major mechanical equipment installation is well advanced with most major equipment installed;
- The project schedule however remains under strain, with a high number of critical path, and near critical path, items being managed concurrently;
- A funding shortfall is expected in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to strengthening of the ZAR against the US\$; and
- As announced on 25 May 2021, Transnet and Elandsfontein are working on a revised solution for the export of Elandsfontein's phosphate rock product. Following several meetings, Transnet has given assurances to deliver a long-term port access agreement for the main export of Elandsfontein's phosphate rock through the port of Saldanha. Exports through Cape Town will be included in the agreement as a mitigation measure, in the event that capacity through Saldanha is unavailable for a limited period of time.

### Hinda

- As announced on 4 February 2021, Kropz appointed Hatch to complete the Hinda Updated FS; and
- Work is ongoing by Hatch and to date no workstreams have been negatively impacted due to the COVID pandemic.

### Aflao

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

## Chairman's Statement

Dear shareholder,

The financial year ended 31 December 2020 was a challenging year, particularly given the global COVID pandemic and the impact that it had on the global economy.

The COVID pandemic has, to date, not had a significant impact on construction activities at Elandsfontein. Remedial measures were successfully implemented by management and we are pleased to report that no cases of COVID had been reported on site since early January 2021.

Thanks to the ARC Fund, Kropz's major shareholder, funding has been secured to significantly complete the Elandsfontein project and complete the Hinda Updated FS.

Kropz entered into the Original Equity Facility with ARC on 13 May 2020 for US\$ 40 million (maximum of ZAR 680 million). The Original Equity Facility, together with existing cash of US\$ 12 million (approximately ZAR 200 million) at that time, is being utilised to progress the development of Elandsfontein. The Original Equity Facility was approved by shareholders at the Kropz general meeting on 29 May 2020.

In addition, Kropz entered into a Further Equity Facility with ARC on 15 February 2021 for US\$ 5 million (maximum of ZAR 85 million), to be utilised to complete the Updated FS at Hinda and for general corporate purposes.

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 GBP 1,744,870).

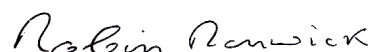
Kropz Elandsfontein and BNP also entered into an amended facility agreement, extending the first capital repayment date to 31 December 2022. The BNP facility of US\$ 30 million is fully drawn.

Significant progress continues to be made at Elandsfontein and the project remains on track for achieving the target date for commissioning in Q4 2021. The present focus is primarily on the site-based construction activities, which are permitted to continue under the current COVID restrictions in place in South Africa. Civil and earthworks are completed and the erection and installation of structural steel, plate work, piping and major mechanical equipment is progressing well. Images of the progress at the Elandsfontein site are available online at [www.kropz.com/projects/eldandsfontein/gallery-eldandsfontein](http://www.kropz.com/projects/eldandsfontein/gallery-eldandsfontein).

Kropz appointed Hatch in February 2021 to complete the Updated FS for Hinda. The Updated FS will target a phased approach in line with the terms of the mining investment agreement, with initial production of one million tonnes per annum ("Mtpa") of phosphate rock being exported from the existing port facility at Pointe-Noire, which is 50 km from Hinda. A second phase production ramp-up of two Mtpa will also be evaluated with export from a new port site, located north of Pointe-Noire. The Updated FS is expected to be concluded by the end of September 2021.

As previously announced, Kropz divested its interest in Aflao in February 2021.

The Board is grateful to all the members of the executive, management and teams on the ground for all their efforts during a very challenging year, to our major shareholder for the further commitment shown by them and to our auditors and advisors. The Board looks forward to updating shareholders on the progress made at Elandsfontein and Hinda.



**Lord Robin William Renwick of Clifton**  
**Non-Executive Chairman**  
29 June 2021

## **Strategic Report for the year ended 31 December 2020**

### **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 generally remained under pressure throughout 2020, mainly due to the COVID pandemic. The current rock prices are higher than those experienced in 2020.

Market analysts expect that a post COVID recovery in downstream fertiliser prices will provide support for an increase in global phosphate rock prices until at least 2025, when new production is expected to come on stream, whereafter phosphate rock prices should flatten out.

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

#### *Share issues*

On 1 June 2020, Kropz announced that it had raised US\$353,595 (before expenses) by way of an equity placing of 4,505,060 ordinary shares with an existing investor and two Directors, Lord Robin Renwick and Mark Summers, at a price of 6.75 pence per ordinary share. The placing shares were admitted to trading on AIM on 4 June 2020.

On 25 June 2020, Kropz announced the first drawdown of US\$ 10 million of the Original Equity Facility. This drawdown, together with fees associated with ARC providing a bank guarantee on behalf of Kropz Elandsfontein to BNP, resulted in the issue of 130,199,604 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The first ARC drawdown and guarantee fee shares were admitted to trading on AIM on 30 June 2020.

On 29 June 2020, Kropz announced that it had raised US\$ 2,163,639 before expenses (approximately GBP1,744,870) by way of an open offer of 25,849,920 ordinary shares with ARC Fund, existing investors and a Director, Mark Summers, at a price of 6.75 pence per ordinary share. The placing shares were admitted to trading on AIM on 30 June 2020.

On 24 September 2020, Kropz announced the second drawdown of US\$ 4 million of the Original Equity Facility. This drawdown resulted in the issue of 50,962,963 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The second ARC drawdown shares were admitted to trading on AIM on 25 September 2020.

On 9 December 2020, Kropz announced the third drawdown of US\$ 5 million of the Original Equity Facility. This drawdown resulted in the issue of 63,703,704 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The third ARC drawdown shares were admitted to trading on AIM on 10 December 2020.

After the three ARC drawdowns of the Original Equity Facility and the Open Offer and Placing, the issued share capital at 31 December 2020 was 558,627,558 ordinary shares (2019: 283,406,307).

## Strategic Report for the year ended 31 December 2020 (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 one 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 issued share capital of Kropz Elandsfontein, the company which owns the Elandsfontein project.

Prior to 2020, in excess of US\$ 120 million was spent at Elandsfontein on project capital expenditure to construct the processing plant and infrastructure, initial mining and capitalised working capital. Following a suspended commissioning process in 2017, Kropz Elandsfontein conducted significant test work to define a robust circuit, to cater for all ore types present within the Elandsfontein resource.

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

#### Activity for the year ended 31 December 2020

The focus for the 2020 financial year was completion of the front end engineering design for the required plant modifications, the appointment of the EPCM contractor (DRA), procurement of major mechanical equipment, site based construction contracts and the commencement of site based construction activities.

#### Mining and geology

The Elandsfontein resource is defined below, on a total (gross) and net attributable basis. No further geological drilling was conducted in 2020.

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

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

## **Strategic Report for the year ended 31 December 2020 (continued)**

### **Plant and processing**

Based on the test work completed, DRA concluded 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., in early 2020.

Care and maintenance of the existing Elandsfontein infrastructure was routinely conducted in accordance with the approved care and maintenance plan during 2020.

Dewatering of the aquifer also continued, together with the updated ground water management plan.

The Department of Mineral Resources and Energy ("DMRE") issued a directive to Kropz Elandsfontein during 2020 to upgrade its Environmental Management Programme ("EMPr") in line with latest South African legislation. The updated EMPr was submitted to the DMRE in September 2020 and the progress is discussed below under "Post reporting period events".

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

As at 31 December 2020, the lost time injury frequency rate, per 200,000 man hours, was zero (2019 - 0.179). No environmental or safety incidents were reported during the year.

### **CSR and sustainability**

The execution of the five-year plan, aligned with the 2018 South African Mining Charter, and submitted to the DMRE remains on track. The plan included progressive improvements to obtain compliance on the employment equity and procurement objectives of the South African mining charter scorecard. The following strategic focus areas were identified:

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

Through collaboration with the local community forum, various community development projects were launched in 2020 and will continue throughout 2021.

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

Following the appointment of a specialist service provider in 2020, 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.

The SMME development programme was completed in July 2020. Fifteen SMME's successfully completed the programme. Additional funding was sourced from the provincial Department of Economic Development and Tourism to give each SMME seed funding in the form of equipment and materials. In addition, the group was placed into a six-month mentoring programme, which ended in February 2021.

#### **Driver licence training**

Eighty-five members of the community were selected for training and driving lessons, in order to improve individual skills and potential for future employment. The focus group was previous mine employees, women and youth from within the community. Against the backdrop of COVID restrictions, the programme was completed at the end of November 2020.



## **Strategic Report for the year ended 31 December 2020 (continued)**

### **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 that 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.

The programme is still ongoing and a total of twenty-one candidates were assessed externally by a qualified service provider and awarded their certificates in bricklaying, painting, tiling and carpentry. These candidates were employed during the construction phase of the project.

### **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 2020, modifications were hampered by restricted access to homes under COVID lockdown and this project will be completed during the second half of 2021.

### **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 commenced 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.

Forty-eight of the participants applied and registered for the June 2020 exams, which was delayed to November 2020 due to COVID and the program was adjusted to accommodate remote on-line learning. Due to the COVID challenges only thirty-four members managed to participate in the November 2020 exams.

Planning for the 2021 program has been completed and classes for 2021 have resumed. Additional candidates have been accommodated to allow for some of the younger community members to attend the classes who wish to complete their secondary school qualifications.

### **Thusong community centre upgrade**

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

Due to COVID restrictions the second phase of this project will be completed during the last quarter of 2021.

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

### **Post reporting period events**

#### **EMPr**

On 1 July 2020, the DMRE issued a directive to Kropz Elandsfontein to submit an updated EMPr, in line with the requirements of the National Environmental Management Act. The updated EMPr was submitted to the DMRE in the first week of September 2020.

## **Strategic Report for the year ended 31 December 2020 (continued)**

On Friday 26 March 2021, management received the updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

### **Offsets**

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

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

Several appeals against the DMRE's decision have been lodged and are being dealt with and Kropz will update the market once these matters have been resolved.

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

The outstanding appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. During this fourth sitting of the matter, all evidence was heard by the Water Tribunal. The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling on 10 March 2021. The appellant has subsequently been granted two postponements for the submission of their heads of arguments, which has delayed the possible date of the ruling to 31 July 2021.

### **Transport and logistics**

As announced on 25 May 2021, Transnet and Elandsfontein are working on a revised solution for the export of Elandsfontein's phosphate rock product. Following several meetings, Transnet has given assurances to deliver a long-term port access agreement for the main export of Elandsfontein's phosphate rock through the port of Saldanha. Exports through Cape Town will be included in the agreement as a mitigation measure, in the event that capacity through Saldanha is unavailable for a limited period of time.

### **Hinda**

The Hinda project, currently 100 per cent. owned by Cominco S.A., is believed to be one of the world's largest undeveloped phosphate reserves. Ownership is expected to be diluted to 90 per cent. through the participation of the RoC government. It consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire and includes the Hinda Exploitation Licence that covers 263.68 km<sup>2</sup> 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 phased production of initially one Mtpa, then later two Mtpa to be developed for a significantly lower level of upfront capital investment.

### **Activity for the year ended 31 December 2020**

In early 2020, Kropz completed a competitive tender for an updated feasibility study for the Hinda project. The tender award and associated work programme for Hinda was subject to securing additional funding.

## **Strategic Report for the year ended 31 December 2020 (continued)**

As announced on 6 August 2020, Kropz appointed Hatch to conduct a focussed assessment on the export logistics capacity at its proposed port site in Pointe-Noire. The study was expected to confirm the achievable capacity through the proposed port site in Pointe-Noire and highlight any major drivers influencing throughput, from truck receiving to vessel loading. This, in turn, would enable Kropz to determine the capacity for the first phase of the mining and beneficiation plant at Hinda. The focussed logistics study for Hinda, was completed by Hatch in September 2020. The study identified that the constraints at the Pointe-Noire port would limit export capacity to 1.2 Mtpa.

With the revised mine and plant capacity, and the need to dry concentrate on site, the ESIA required an update and amendment. The terms of reference for the updated ESIA were compiled and lodged with the Ministry of Tourism and Environment. The RoC Department of Tourism and Environment validated the terms of reference of the updated ESIA during 2020.

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 2021.

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

### **Declaration d'Utilite Publique ("DUP")**

The DUP (declaration of public utility) is a process required by the government of the RoC, whereby land within the mining licence concession area may be expropriated from its existing owners in order to accommodate the needs of the mining project, its works and installations. All households, infrastructure, other structures and land uses (crops and fruit trees), need to be recorded during a survey.

In accordance with Law No. 11-2004, the RoC Minister of Land Affairs signed the Decree 12914 / MAFDP-CAB, dated 16 October 2020, declaring the DUP in respect of the Hinda project. The Land Commission was set up on 6 November 2020 by memorandum n° 262/MAFDPRP-CAB for the area covered by the demarcation plan registered under n° 127 and dated October 2020. The President of the Land Commission is the Director of the Cabinet of the Ministry of Land Affairs in the RoC.

Cominco worked on the area to be covered by this DUP, covering an area of approximately 33 km<sup>2</sup> to be surveyed. This area caters for the pit extent for approximately 25 years of mining and the plant site and the tailings storage facilities defined during the 2015 DFS.

The survey commenced on 27 November 2020, once the DUP was gazetted.

## Strategic Report for the year ended 31 December 2020 (continued)

### Mineral resources

The Hinda resource is defined below, on a total (gross) and net attributable basis. No additional drilling was conducted in 2020.

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

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

### Safety, health and environment

No environmental or safety incidents were reported during the year.

### Sustainability

Cominco S.A. continued its interactions with the local communities associated with the Hinda project.

### Post reporting period events

Kropz appointed Hatch in February 2021 to complete the Updated FS on Hinda. The Updated FS will target a phased approach in line with the terms of the MIA, with initial production of one Mtpa of phosphate rock being exported from the existing port facility at Pointe-Noire, which is 50 km from Hinda, by road. A second phase production ramp-up of two Mtpa will also be evaluated with export from a new port site, located north of Pointe-Noire. The Updated FS is expected to be concluded by the end of September 2021.

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 expected in 2021.

The Land Commission completed the survey, required for the DUP process, on 23 January 2021 and management are reviewing the preliminary report, issued by the Land Commission, and auditing and interrogating the results and conclusions, before progressing to the next step in the DUP process.

## **Strategic Report for the year ended 31 December 2020 (continued)**

### **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.

### **Business model**

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

Once production has commenced at Elandsfontein and Hinda, the Company may consider acquiring additional assets and/or 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 strong shareholder and stakeholder returns over the long term.

##### **Elandsfontein**

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.

##### **Hinda**

Cominco Resources appointed Hatch and commenced the Updated FS to define the economics of the proposed development option.

Cominco S.A. is expecting the completion of the ratification and formal implementation of the MIA before the end of 2021. 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, subject to short-term challenges being managed. The year ahead should provide the Company with a solid foundation for its future development.

### **Financial review for the year ended 31 December 2020**

Summary financial highlights for the year:

- Cash and cash equivalents of US\$ 12 million (2019: US\$ 16 million)
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP of US\$ 7 million (2019: US\$ Nil);
- Trade and other payables of US\$ 5 million (2019: US\$ 2 million); and

## **Strategic Report for the year ended 31 December 2020 (continued)**

- Property, plant, equipment and development and exploration assets of US\$ 159 million (2019: US\$ 145 million).

### **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 presented in any order of priority, do not purport to be a complete list or explanation of all the risks involved in the Company or the Group's activities.

#### **Completion of commissioning of Elandsfontein**

The Elandsfontein project requires a number of modifications to the processing facility, further funding and successful commissioning in order to commence operations in Q4 2021. Any delays in securing of additional funding and the 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 operation. There can be no guarantee that implementation of the modifications identified by the Company and its technical consultants will result in a successful commissioning of the mine. Failure to complete the commissioning of the Elandsfontein project, 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. Further, see risk factor: COVID Outbreak.

#### **Access to infrastructure**

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

Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Group's sites could materially adversely affect the Group's results of operations or financial condition. Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure, disruption to its transportation arrangements or reduced port capacity) could materially adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

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

#### **Operational targets**

The Group's principal asset, the Elandsfontein project, is an advanced stage mining project that has no operating track record upon which to base estimates of future production rates, operating costs, capital expenditures or financial performance. The operational targets of the Group will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of

## **Strategic Report for the year ended 31 December 2020 (continued)**

personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. It is, therefore, possible that mining and production rates might fluctuate.

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

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

Once mining has commenced at Elandsfontein, any further unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations. The Group will not generate any material income until mining and processing has successfully re-commenced, while continuing to expend its cash reserves.

### **New entrant risk**

Kropz Elandsfontein will, once production has been achieved of a commercial saleable grade product, be a new entrant in the global phosphate rock market, selling its products into a globally competitive and established market. Competitors can be very difficult to dislodge having already established their products in the global market.

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

### **Mining risks**

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

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

The biggest geotechnical risk to the mining at Elandsfontein is the possibility of pit 'basal heave failure' below the mineralised zone. A detailed study has been conducted by SRK (SA) including numerical modelling of the pit – based on shear strength parameters determined by geotechnical test work. SRK (SA) concluded that the base of the excavation should be limited to a 50m width in order to mitigate this risk. In order to achieve this, discipline must be employed in ensuring that backfilling never lags mining and that dewatering systems remain effective.

## **Strategic Report for the year ended 31 December 2020 (continued)**

Possible groundwater inflow into the pit has also been identified by SRK (SA) as a potential geotechnical risk as increased water pressures could lead to pit wall instability. This risk has been mitigated by the borehole dewatering system that has been implemented, which coupled with in-pit sump dewatering has proven to be effective to date and working as designed. Diligent and regular monitoring of the efficacy of the dewatering is required to ensure that pit wall instability is minimised.

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

### **WUL and associated litigation**

There is currently an administrative appeal which is pending before the Water Tribunal in South Africa. The applicant and 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 administrative appeal currently pending before the Water Tribunal seeks the setting aside of the Elandsfontein Project's integrated WUL. The third, and final appeal hearing was held from 1 to 4 February 2021 and the decision of the Water Tribunal is not known yet. 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 Kropz'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.

### **Enforcement of contractual rights in the RoC may be brought into question**

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

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

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

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

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



## **Strategic Report for the year ended 31 December 2020 (continued)**

### **COVID Outbreak**

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

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

Kropz is currently unable to quantify the impact of the Directives going forward, but the Group will continue to progress all its workstreams as previously outlined. The Elandsfontein project timetable is not currently affected.

### **Commodity pricing**

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

In recent years, global phosphate rock and fertilizer supply growth has out-paced demand. As a result, sharp declines have taken place in both phosphate rock and phosphate fertilizer prices since 2011. A failure of the market price for phosphate rock to recover in line with market expectations could have an adverse impact on the Company's business, financial condition and results of operations. Furthermore, reserve estimates and feasibility studies using significant lower commodity prices could result in material write-downs of the Group's investment in its assets and increased amortisation, reclamation and closure charges.

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

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

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental and safety legislation and regulation (e.g. in relation to reclamation, disposal of waste products, pollution and protection of the environment, protection of wildlife and otherwise relating to environmental protection) is frequently changing and is generally becoming more restrictive with a heightened degree of responsibility for companies and their Directors and employees and more stringent enforcement of existing laws and regulations. Future changes could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation.

## **Strategic Report for the year ended 31 December 2020 (continued)**

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

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

In South Africa, the Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations 2015 (R1147 of 20 Nov 2015) provides that the holder of a mining right must provide for rehabilitation and remediation costs, with particular reference to when the mine is decommissioned at the end of mining, or production operations. It is expected that mining operations at Elandsfontein will cease in year 2030. The under-provision of such a rehabilitation liability could result in future liabilities being payable, which could have a material adverse impact on the financial condition of the Group.

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

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

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

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

### **Adverse sovereign action**

The Group is exposed to the risk of adverse sovereign action by the governments of South Africa, RoC and other governments. The mining industry is important to the economies of these countries and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, mining companies have faced the risks of expropriation and/or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

## Strategic Report for the year ended 31 December 2020 (continued)

### 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 41 to 53.

### Directors' section 172 statement

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

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

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

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

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

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

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
<b>Equity investors and equity partners</b>  All substantial shareholders that own more than 3 per cent. of the Company's shares are listed on page 37 of the Directors' Report.  The Company owns 74 per cent. of Kropz Elandsfontein, the owner of the Elandsfontein project in	Access to capital is of vital importance to the long-term success of the business to enable the development 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	The key mechanisms of engagement included:  <b>Substantial shareholders</b> <ul style="list-style-type: none"> <li>Both ARC and Kropz International have appointed Directors to the board of Kropz; and</li> <li>The other existing substantial shareholders have regular meetings and interactions with the Chairman and/or CEO.</li> </ul>	The Company engaged with investors on topics of strategy, governance, project updates and performance.  Please see "Dialogue with shareholders" section of the Directors' report on page 37.  The CEO presented at a number of investor roadshows and one on one meetings.

## Strategic Report for the year ended 31 December 2020 (continued)

<p>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 may require further funding to complete the construction of 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>concentrate and therefore a return on the investment.</p> <p>Through selected engagement activities, the Company strives to obtain investor buy-in into its strategic objectives detailed on page 11 and the execution thereof.</p> <p>The Company seeks to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives.</p> <p>During the course of 2020, the percentage of shares held in public hands decreased and the overall daily volume of shares traded increased.</p>	<p><b>Investment and equity partners</b></p> <ul style="list-style-type: none"> <li>ARC have representatives on the Kropz Elandsfontein and ELH boards of Directors in terms of the respective shareholder's agreements; and</li> <li>Regular board meetings are held.</li> </ul> <p><b>Prospective and existing investors</b></p> <ul style="list-style-type: none"> <li>The AGM and Annual and Interim Reports;</li> <li>Investor roadshows and presentations;</li> <li>One on one investor meetings with the Chairman and/or CEO;</li> <li>Access to the Company's broker and advisers;</li> <li>Regular news and project updates; and</li> <li>Social media accounts e.g. Twitter @Kropzplc;</li> <li>Site visits for potential cornerstone investors.</li> </ul>	<p>During 2020, the Company completed the Original Equity Facility for US\$ 40 million with ARC and a US\$ 2m further direct investment in the Company.</p> <p>Post 31 December 2020, the Company completed the Further Equity Facility for US\$ 5 million with ARC.</p> <p>In terms of the additional facilities and capital injection, ARC will potentially acquire a total further 34 per cent. interest in the Company, eventually taking its 49 per cent. interest at December 2020 to over 84 per cent..</p> <p>At the Company's AGM in 2020 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><b>Debt providers</b></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> <p>Various contractual conditions of the debt finance require regular updates on ongoing progress.</p> <p>Ongoing support from potential new debt providers is required to achieve the construction of Hinda.</p>	<ul style="list-style-type: none"> <li>One on one meetings with the CEO and/or COO;</li> <li>Regular reporting on project progress;</li> <li>Ad hoc discussions with management, as required; and</li> <li>Tripartite discussions between Kropz Elandsfontein, ARC and management to ensure there are no compliance matters outstanding in relation to the facility.</li> </ul>	<p>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> <p>In May 2020, the amended facility agreement was signed between Kropz Elandsfontein and BNP, thereby restructuring the first principal debt repayment to 31 December 2022.</p>
<p><b>Employees</b></p> <p>The Company has 12 South African, 5 UK and 5 RoC employees, including its Directors.</p> <p>Two of the Directors are UK residents, 1 Monegasque, 1</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</p>	<p><b>General employees</b></p> <ul style="list-style-type: none"> <li>The Company maintains an open line of communication between its employees, senior management and the Board.</li> </ul> <p><b>UK employees</b></p>	<p><b>UK Employees</b></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-</p>

## Strategic Report for the year ended 31 December 2020 (continued)

<p>American and 2 are South African resident Directors.</p> <p>The CEO during the year under review was South Africa-based. The CEO allocates 35 per cent. of his time to matters relating to the Company in the UK.</p>	<p>commitment of its workforce to its vision and the demonstration of its values on a daily basis.</p> <p>The Board have identified that reliance on key personnel is a known risk.</p>	<ul style="list-style-type: none"> <li>• The CEO reports regularly to the Board;</li> <li>• Key members of the executive team are invited to some of the audit and risk committee meetings;</li> <li>• There is a formalised employee induction into the Company's corporate governance policies and procedures; and</li> <li>• There is an HR function in the UK.</li> </ul> <p><b>South African employees</b></p> <ul style="list-style-type: none"> <li>• There is an HR function in South Africa;</li> <li>• Senior management regularly visit the operations in South Africa and engage with its employees through one on one and staff meetings, employee events, project updates, etc; and</li> <li>• Staff safety committees continue to operate.</li> </ul> <p><b>Congo employees</b></p> <ul style="list-style-type: none"> <li>• Senior management regularly visit the operations in RoC and engage with its employees through one on one and staff meetings, employee events, project updates, etc.</li> </ul>	<p>executive Director and executive team remuneration in 2018 at the time of the AIM IPO.</p> <p>Board reporting has been optimised to include sections on engagement with employees.</p> <p><b>South Africa and Congo employees</b></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 2020.</p>
<p><b>Governmental bodies</b></p> <p>The Company is impacted by national, regional and local governmental organisations in South Africa and the RoC.</p>	<p>The Group will only commence production when the development of Elandsfontein is completed in Q4 2021.</p> <p>Thereafter development of Hinda will be progressed.</p>	<p>The Company provides general corporate presentations regarding the Elandsfontein project development as part of ongoing stakeholder engagement with the South African government, Western Cape provincial government and local municipal government. The Company maintained its good relations with the respective government bodies and frequently communicated progress.</p> <p>The Company engages with the relevant departments of the RoC government in order to progress the development of Hinda.</p>	<p>Meetings have been held with various representatives of the national, regional and local government bodies, to discuss ongoing compliance and other regulatory matters relating to mining.</p> <p>To date, the Company has received its South African requisite environmental and land use permits. An upgrade to the existing environmental permit was required at Elandsfontein.</p> <p>In addition, the Company has received or is in the process of obtaining the required permits to explore and develop Hinda, subject to securing of funding for these activities. An amendment is required to the ESIA.</p>
<p><b>Community</b></p>			

## Strategic Report for the year ended 31 December 2020 (continued)

<p>The local communities adjacent to Elandsfontein in South Africa and Hinda in the RoC.</p>	<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"> <li>• The Company has community liaison officers in South Africa and RoC;</li> <li>• The Company has identified all key stakeholders within the local community in the reporting period;</li> <li>• Elandsfontein management has open dialogue with the local government and community leaders regarding the project development;</li> <li>• Similarly, Hinda management are actively engaging with local government and communities directly impacted by the Hinda project; and</li> <li>• The Company has existing Corporate Social Responsibility policies and management structure at corporate level. The Company will expand on these policies and structures at a local project level as the Company moves into construction and then production.</li> </ul>	<p>The Company has ongoing engagements with the local community as part its sustainability initiatives.</p> <p>Stakeholder identification has enabled the Company to ensure that representatives of all stakeholder groups may participate in the community engagement programme.</p> <p>A more formalised community engagement programme commenced in 2020.</p> <p>In addition to the community project described previously, Elandsfontein provided food relief to the Hopefield community during the COVID pandemic.</p>
<p><b>Suppliers</b> During the Elandsfontein 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> <p>At a local level, the Company has also partnered with a number of smaller companies, some of whom are independent or family run businesses.</p>	<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 performance targets can be met.</p>	<ul style="list-style-type: none"> <li>• Management continue to work closely with appointed contractors, consultants and suppliers to finalise their contracts and end deliverables; and</li> <li>• One on one meetings between management and suppliers;</li> <li>• Vendor site visits and facility audits to ensure supplier is able to meet requirements;</li> <li>• Contact with procurement department and accounts payable; and</li> <li>• Assist local suppliers to address liquidity challenges.</li> </ul>	<p>See page 5 of the strategic report for latest on progress on test work and construction.</p> <p>See page 8 of the strategic report for an update on the potential transport and logistics uncertainties facing the Group.</p> <p>Smaller local vendors were engaged at a broader level to better align with company objectives.</p>

## Section 2: Principal decisions by the Board

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

## **Strategic Report for the year ended 31 December 2020 (continued)**

### **During the financial year ending 31 December 2020**

#### **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 Original Equity Facility was approved by Kropz's shareholders at a general meeting on 29 May 2020. Quarterly draw downs under the Original Equity Facility are at the sole discretion of Kropz. The first draw down on the Original Equity Facility occurred on 26 June 2020 for US\$ 10 million, and two further drawdowns for US\$ 4 million and US\$ 5 million in terms of the Original Equity Facility were concluded on 25 September 2020 and 10 December 2020, respectively. Repayment of the Original Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 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 Original 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.

At the date of this Annual Report and since year end, further draw downs of US\$ 7 million and US\$ 11 million were made on 10 March 2021 and 23 June 2021, respectively. US\$ 3 million remains to be drawn down in 2021.

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

Existing shareholders may have conflicting interests with the Original 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.

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 Original Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Original 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 Original Equity Facility was fair and reasonable and the transaction was approved by the independent Directors and announced on RNS on 13 May 2020.

## **Strategic Report for the year ended 31 December 2020 (continued)**

### **Post 31 December 2020**

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

Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly draw downs under the Equity Facility are at the sole discretion of Kropz. The first draw down of US\$ 2 million on the Further Equity Facility occurred on 10 March 2021 and the second draw down of US\$ 2 million occurred on 23 June 2021. No specific shareholder approval was required for the Further Equity Facility as the Company received the necessary authority at the AGM in August 2020 to allot shares for cash, without first offering them to existing shareholders in proportion to their existing shareholdings, of approximately 20 per cent. of the Company's issued share capital at that time, representing 88,792,180 new ordinary shares. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

The next drawdown is anticipated on 10 September 2021, and quarterly thereafter until the facility is fully drawn down in 2021/2022. Repayment of the Further Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 4.202 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.73 GBP.

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

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

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

As a result of the Further Equity Facility, ARC would increase its interest in the Company by a further approximate 4 per cent., taking its eventual interest in the Company to approximately 84 per cent.

The conclusion was that the Further Equity Facility was fair and reasonable and the transaction was approved by the independent Directors and announced on RNS on 26 February 2021.

At the date of this Annual Report and since year end, further draw downs of US\$ 2 million each were made on 10 March 2021 and 23 June 2021, respectively. US\$ 1 million remains to be drawn down in 2021 / 2022.

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

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

- US\$ 5,000 in cash ("Share Consideration"); and



## Strategic Report for the year ended 31 December 2020 (continued)

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

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

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

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

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**  
**Chief Executive Officer**  
29 June 2021

## **Directors' Report for the year ended 31 December 2020**

The Board of Directors ("Board") present their third Annual Report for Kropz plc ("the Company") and the Kropz plc Group ("Group") for the year ended 31 December 2020.

### **Directors**

The names of Directors of the Company in office at any time during or since the end of the 31 December 2020 financial year are:

Lord Robin Renwick of Clifton	Non-executive Chairman
Ian Timothy Harebottle	Chief Executive Officer (resigned 29 February 2020)
Mark Robert Summers	Chief Executive Officer (appointed 10 January 2018), previously 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 phosphate project in the RoC.

### **Business review and future developments**

Details of the business activities and future developments can be found in the Strategic Report on pages 5 to 10.

### **Operating Results**

The net loss after tax of the Company for the year ended 31 December 2020 amounted to US\$ 2 million (2019: US\$ 9 million).

### **Dividends paid or recommended**

In respect of the year ended 31 December 2020 no dividends were paid or declared and the Directors do not recommend the payment of a dividend (2019: no dividends paid or declared).

## **Directors' Report for the year ended 31 December 2020 (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.

### **Streamlined Energy and Carbon Reporting ("SECR")**

The new SECR framework, which came into force in April 2019 requires qualifying UK companies to report on their energy usage and provide information the energy efficient action taken during the reporting period.

Kropz is exempt from these disclosures as it did not consume more than 40,000 kWh in the UK during the reporting period.

### **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 year the Company did not make any political contributions or charitable donations (31 December 2019 – none).

### **Annual general meeting ("AGM")**

It should be noted that due to the delay in the completion of the audit of the 31 December 2020 Financial Statements and Annual Report (the "**2020 Accounts**"), it was not possible to publish the 2020 Accounts prior to issuing the Notice of AGM and therefore, no resolution to receive and adopt the 2020 Accounts has been proposed at the AGM. Following the publication of these 2020 Accounts, a separate general meeting has been called to be held on 23 July 2021 at 11 a.m. for the purpose of considering and, if thought fit, passing an ordinary resolution to receive and adopt the 2020 Accounts ("**GM**").

The AGM for the shareholders of the Company is being held on 30 June 2021 at 1 p.m. for the purpose of considering and, if thought fit, passing five ordinary resolutions and two special resolutions as set out in the Notice of AGM that was sent to all shareholders on 7 June 2021.

Shareholders will have an opportunity prior to the AGM and GM to raise comments or ask questions of the Board in relation to the business of the relevant meeting. The Group proposes a separate resolution for each substantially different item of business, giving shareholders the opportunity to vote on each issue.

## **Directors' Report for the year ended 31 December 2020 (continued)**

In light of the Government's response to the COVID pandemic, which includes restrictions on the gathering of people indoors, it has become necessary to restrict physical participation at the AGM. Accordingly, the AGM and the GM will be held at the offices of Memery Crystal Limited, 165 Fleet Street, London, EC4A 2DY, with the minimum attendance required to form a quorum to conduct the necessary business. Due to the restrictions in respect of COVID, it is not expected to be possible for shareholders to attend the meeting in person, therefore, shareholders were urged to appoint the Chair of the meeting as his or her proxy. Given the constantly evolving nature of the situation, should circumstances change before the time of the AGM which would allow shareholders to attend the meeting, the Company will provide updated details of the meeting format in order to adhere to the COVID restrictions in place at the time.

### **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.

### **Health and safety**

The Group continues to maintain a high standard of workplace safety. In order to execute this, 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. In addition, the Group also developed and maintained an internal management system and also 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 2020.

### **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 generally 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 a mining licence in South Africa and an exploitation licence in the RoC. The Group's operations are subject to environmental legislation in these jurisdictions in relation to its exploration and project development activities and remains committed to these requirements.

## Directors' Report for the year ended 31 December 2020 (continued)

### 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 Chairman of the Advisory Board of Stonehage Fleming and Senior Adviser to Richemont and Appian Capital.

Interest in Ordinary Shares  
and Options

300,000 fully paid Ordinary Shares

**Mark Summers**  
Chief executive officer  
(appointed 10 January 2018)

Mark Summers is the CEO of the Group 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 24 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 holds an Honours Degree in Accounting from the University of Johannesburg. Mark is a registered member of the South African Institute of Chartered Accountants.

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.  
2,350,000 unlisted LTIP options exercisable and vesting at 0.1 pence each on 31 December 2021.

**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,

## Directors' Report for the year ended 31 December 2020 (continued)

Interest in Ordinary Shares and Options	where he provides expertise in phosphate mining, fertilizer production, business development, as well as mergers and acquisitions.  None
<b>Machiel Reyneke</b> 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
<b>Michael (Mike) Nunn</b> 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 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 CEO 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 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\$ 128,397 (2019: US\$ 59,368)

## **Directors' Report for the year ended 31 December 2020 (continued)**

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 2020. 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:

- KMP of the Company and Group;
- Remuneration policy;
- 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 56.

### **KMP 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**

Mark Summers	Chief Executive Officer and company secretary (appointed 10 January 2018 and appointed as CEO on 4 August 2020)
Ian Harebottle	Chief Executive Officer (appointed 4 June 2018 and resigned 29 February 2020)

## Directors' Report for the year ended 31 December 2020 (continued)

### 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 the Company, Kropz Elandsfontein and Cominco Resources Limited

Michelle Lawrence	Chief Operating Officer (appointed 13 January 2014)
Jan Steenkamp	Non-executive Director – Kropz Elandsfontein (appointed 30 September 2020)
	Managing Director – Kropz Elandsfontein (appointed 14 February 2019 and resigned 30 September 2020)
Patrick Stevenaert	Managing Director – Cominco Resources (appointed 10 March 2017)

### 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 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 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. 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.



## Directors' Report for the year ended 31 December 2020 (continued)

### Key terms of employment contracts and remuneration of KMP

Key terms of employment contracts for the financial year ending 31 December 2020:

Name	Base remuneration	Base remuneration US\$ *	Term of agreement	Notice period
Ian Harebottle (outgoing CEO) <sup>(i)</sup>	GBP 240,000	327,602	No fixed term	3 months
Mark Summers (CEO) <sup>(ii)</sup>	ZAR 2,663,636 and GBP 74,960	284,008	No fixed term	6 months
Michelle Lawrence (COO) <sup>(iii)</sup>	ZAR 2,294,578 and GBP 39,975	211,079	No fixed term	3 months
Jan Steenkamp (non-executive Director of Kropz Elandsfontein) <sup>(iv)</sup>	ZAR 25,000 per working day	1,705 per working day	No fixed term	1 month
Patrick Stevenaert (Managing Director of Cominco Resources)	EUR 148,872	182,665	No fixed term	1 month

\* Converted to US\$ at the 31 December 2020 GBP exchange rate of 0.733, ZAR exchange rate of 14.661 and EUR exchange rate of 0.815.

- (i) Ian Harebottle resigned on 29 February 2020.
- (ii) Mark Summers was appointed interim Chief Executive Officer on 1 March 2020 and appointed as Chief Executive Officer on 4 August 2020.
- (iii) Michelle Lawrence is the Chief Operating Officer of Kropz Elandsfontein.
- (iv) Jan Steenkamp was appointed as the Managing Director of Kropz Elandsfontein on 14 February 2019 and resigned on 30 September 2020. He was appointed as a non-executive Director of Kropz Elandsfontein on the same day. Jan Steenkamp receives a non-executive Director fee of ZAR 25,000 (US\$ 1,705) per working day.

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

Name	Base remuneration	Base remuneration US\$ *	Term of agreement	Notice period
Ian Harebottle (outgoing CEO) <sup>(i)</sup>	GBP 240,000	316,623	No fixed term	3 months
Mark Summers (CEO) <sup>(ii)</sup>	ZAR 3,301,200 and GBP 31,440	235,128 and 41,478	No fixed term	6 months
Jan Steenkamp (Managing Director of Kropz Elandsfontein) <sup>(iii)</sup>	ZAR 25,000 per day	1,780 per day	No fixed term	1 month
Michelle Lawrence (COO) <sup>(iv)</sup>	ZAR 2,913,750	207,532	No fixed term	1 month
Patrick Stevenaert (Managing Director of Cominco Resources)	EUR 148,872	166,897	No fixed term	1 month

\* Converted to US\$ at the 31 December 2019 GBP exchange rate of 0.758, ZAR exchange rate of 14.040 and EUR exchange rate of 0.892.

- (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 working day.
- (iv) Michelle Lawrence is the Chief Operating Officer of Kropz Elandsfontein.

### 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.

## Directors' Report for the year ended 31 December 2020 (continued)

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 and 2020 financial years:

	Base fees per annum GBP	Base fees per annum US\$*
Chairman	40,000	54,600
Non-executive Director	30,000	40,950
Additional Fees:		
Audit, Sustainability and Risk Committee – chairperson (Linda Beal)	5,000	6,825
Audit, Sustainability and Risk Committee – member	-	-
Remuneration and Nomination Committee – chairperson (Lord Robin Renwick)	2,500	3,413
Remuneration and Nomination Committee – member	-	-

\* Converted to US\$ at the 31 December 2020 exchange rate of 0.733.

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.

Mike Daigle's non-executive Director fees increased to GBP48,000 (US\$ 65,484) per annum with effect from 1 January 2021.

### KMP remuneration

The remuneration for each Director and KMP of the Group during the year to 31 December 2020 was as follows:

Name	Short-term benefits			Total US\$*
	Remuneration <sup>(i)</sup> US\$*	Bonus US\$*	Options <sup>(ii)</sup> US\$*	
<b>Executive Directors</b>				
Ian Harebottle <sup>(iii)</sup>	218,602	-	10,024	228,626
Mark Summers	295,516	-	139,428	434,944
	<b>514,118</b>	<b>-</b>	<b>149,452</b>	<b>663,570</b>
<b>Non-executive Directors</b>				
Lord Robin Renwick <sup>(iv)</sup>	54,600	-	-	54,600
Linda Beal	52,713	-	-	52,713
Mike Daigle	40,950	-	-	40,950
Machiel Reyneke <sup>(v)</sup>	-	-	-	-
Mike Nunn <sup>(v)</sup>	-	-	-	-
	<b>148,263</b>	<b>-</b>	<b>-</b>	<b>148,263</b>
<b>Total Directors' remuneration</b>	<b>662,381</b>	<b>-</b>	<b>149,452</b>	<b>811,833</b>
<b>Executives</b>				
Jan Steenkamp <sup>(vi)</sup>	71,620	-	-	71,620
Michelle Lawrence	207,162	-	105,488	312,650
Patrick Stevenaert	183,363	-	33,718	217,081
	<b>462,145</b>	<b>-</b>	<b>139,206</b>	<b>601,351</b>

\* Converted to US\$ at the 31 December 2020 GBP exchange rate of 0.733, ZAR exchange rate of ZAR 14.661 and EUR exchange rate of 0.815.

**Directors' Report for the year ended 31 December 2020 (continued)**

- (i) Includes UK NIC, UK payroll tax and pension.
- (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) Ian Harebottle resigned on 29 February 2020.
- (iv) 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.
- (v) Machiel Reyneke and Mike Nunn receive no Director fees.
- (vi) Jan Steenkamp was appointed as the Managing Director of Kropz Elandsfontein on 14 February 2019 and resigned on 30 September 2020. He was appointed as a non-executive Director of Kropz Elandsfontein on the same day and he receives a non-executive Director fee of ZAR 25,000 (US\$ 1,705) per working day.

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

	Short-term benefits			Total US\$*
Name	Remuneration <sup>(i)</sup> US\$*	Bonus US\$*	Options <sup>(ii)</sup> US\$*	
<b>Executive Directors</b>				
Ian Harebottle	388,742	-	58,131	<b>446,873</b>
Mark Summers	292,385	-	58,131	<b>350,516</b>
	<b>681,127</b>	-	<b>116,262</b>	<b>797,389</b>
<b>Non-executive Directors</b>				
Lord Robin Renwick <sup>(iii)</sup>	56,618	-	-	<b>56,618</b>
Linda Beal	50,869	-	-	<b>50,869</b>
Mike Daigle	39,578	-	-	<b>39,578</b>
Machiel Reyneke <sup>(iv)</sup>	-	-	-	-
Mike Nunn <sup>(iv)</sup>	-	-	-	-
	<b>147,065</b>	-	-	<b>147,065</b>
<b>Total Directors' remuneration</b>	<b>828,192</b>	-	<b>116,262</b>	<b>944,454</b>
<b>Executives</b>				
Jan Steenkamp <sup>(v)</sup>	175,196	-	-	<b>175,196</b>
Michelle Lawrence	188,381	-	25,329	<b>213,710</b>
Patrick Stevenaert	170,125	-	-	<b>170,125</b>
	<b>533,702</b>	-	<b>25,329</b>	<b>559,031</b>

\* Converted to US\$ at the 31 December 2019 GBP exchange rate of 0.758, ZAR exchange rate of ZAR 14.040 and EUR exchange rate of 0.892.

- (i) Includes UK NIC, UK payroll tax and pension.
- (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.

**SBP granted as compensation to KMP***Employee Share Option Plan and Long-Term Incentive Plan*

Kropz 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.

## Directors' Report for the year ended 31 December 2020 (continued)

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 Awards") – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- An executive long-term incentive plan (the "LTIP Awards") – a performance and service-related plan pursuant to which conditional share awards, nominal-cost options and market value options can be granted (together, the "Incentive Plans").

The incentive plans will be used to recruit, retain and incentivise key executives and employees. Although the ESOP Awards 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 Awards will be used to grant awards following Admission and will be the main incentive plan used to grant awards following Admission.

Each ESOP and LTIP Award converts into one ordinary share of Kropz upon exercise. No amounts are paid or payable by the recipient on receipt of the option, aside from when the option is exercised, in which event a nominal amount per ordinary share is payable by the recipient. 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 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 2020*

### LTIP Awards

As announced on 4 August 2020, 6,700,000 LTIP Awards were awarded to a Director and senior management. Of this total, 2,350,000 LTIP Awards were granted to each of Mark Summers and Michelle Lawrence and 1,000,000 to Patrick Stevenaert. The LTIP options will vest on 31 December 2021, subject to the terms of the LTIP Plan Rules (as set out in the Company's Admission Document), including financial and non-financial performance conditions.

LTIP Awards outstanding at 31 December 2020 were as follows:

Name	Vesting date	Exercise price (pence)	Number of options
Mark Summers	31 December 2021	0.1	2,350,000
Michelle Lawrence	31 December 2021	0.1	2,350,000
Patrick Stevenaert	31 December 2021	0.1	1,000,000
			<b>5,700,000</b>

These LTIP Awards have performance conditions aligned to implementing the Company's strategic plans, including appropriate weightings on the successful commissioning of the Elandsfontein project, completion of the Updated FS on the Hinda project and, in respect of Mark Summers and Michelle Lawrence, continued employment by the Group at 31 December 2021.

The LTIP Awards are nil priced options over a total of 6,700,000 ordinary shares and represent 1.20 per cent. of the Company's issued share capital at 31 December 2020.

## Directors' Report for the year ended 31 December 2020 (continued)

### ESOP Awards

During the financial year ended 31 December 2020, no ESOP Awards were issued as SBP.

ESOP Awards outstanding at 31 December 2020 were as follows:

Name	Expiry date	Exercise price (pence)	Number of ESOP Awards
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			<b>4,827,746</b>

ESOP options outstanding at 31 December 2019 were as follows:

Name	Expiry date	Exercise price (pence)	Number of ESOP Awards
Ian Harebottle <sup>(i)</sup>	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
			<b>8,190,355</b>

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

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

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

ESOP 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 awards.

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.

The ESOP Awards over 4,827,746 ordinary shares represent 0.9 per cent. of the Company's issued share capital at 31 December 2020.

Following the grant of the LTIP Awards, together with the existing 4,827,746 options currently under option under the ESOP plan, the ESOP and LTIP Awards represent 2.1 per cent. of the Company's issued share capital at 31 December 2020.

ESOP and LTIP Awards were valued using a Monte Carlo simulation model and are to be expensed over the respective vesting periods, being 60 months for ESOP Awards and 17 months for LTIP Awards.

### Shares issued on exercise of ESOP and LTIP Awards

No shares were issued from the exercise of ESOP and LTIP Awards during the year ended 31 December 2020 (2019: none).

## Directors' Report for the year ended 31 December 2020 (continued)

### 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 2020	Received as remuneration	Options exercised	Other	Balance – 31 December 2020
Mike Nunn <sup>(i)</sup>	54,933,474	-	-	-	54,933,474
Robin Renwick	-	-	-	300,000 <sup>(ii)</sup>	300,000
Mark Summers	334,889	-	-	80,000 <sup>(iii)</sup>	414,889

(i) Mike Nunn's beneficial interest in Ordinary Shares is held through Kropz International.

(ii) Robin Renwick subscribed for 300,000 ordinary shares, at a price of 6.75 pence per share, in the Placing announced on 1 June 2020.

(iii) Mark Summers subscribed for 30,000 ordinary shares, at a price of 6.75 pence per share, in the Placing announced on 1 June 2020 and for 50,000 ordinary shares, at a price of 6.75 pence per share, in the Open Offer announced on 29 June 2020.

The numbers of ordinary shares in the Company held during the year ended 31 December 2019 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 <sup>(i)</sup>	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.

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

During the year ended 31 December 2020, 121,837 warrants were issued to H&P Advisory Limited. These warrants were issued at 6.75 pence per ordinary share and expire on 4 August 2022. On 20 November 2020, 1,200,000 warrants, comprising 600,000 warrants issued to H&P Advisory Limited and 600,00 warrants issued to Mirabaud Securities Limited respectively, expired.

## Directors' Report for the year ended 31 December 2020 (continued)

Total warrants outstanding at the end of 31 December 2020 were as follows:

Name	Expiry date	Exercise price (pence)	Number of warrants
H&P Advisory Limited	4 August 2022	6.75	121,837

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
			<b>1,200,000</b>

### Other transactions with KMP during the year ended 31 December 2020

No KMP has entered into a material contract (apart from employment contracts) with the Company and the Group. No amount of remuneration is outstanding at 31 December 2020.

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 29 June 2021.

Major Shareholder	No of Shares	% of Issued Share Capital *
ARC	708,772,716	82.7%
Kropz International	54,933,474	6.4%

\* Issued share capital – 857,451,609 ordinary shares

### 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 by the Chairman and/or CEO. 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:

## **Directors' Report for the year ended 31 December 2020 (continued)**

- 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](mailto:info@kropz.com) through which investors can contact the Company.

The Company's AGM will be held on 30 June 2021, and the Company's GM (adopting the annual report and accounts) will be held on 23 July 2021. In light of the UK Government's response to the COVID pandemic, which includes restrictions on the gathering of people indoors, it has become necessary to restrict physical participation at the AGM and GM. Accordingly, the AGM and the GM will be held at the offices of Memery Crystal Limited, 165 Fleet Street, London, EC4A 2DY, with the minimum attendance required to form a quorum to conduct the necessary business. Due to the restrictions in respect of COVID, it is not expected to be possible for shareholders to attend the meeting in person, therefore, shareholders were urged to appoint the Chair of the meeting as his or her proxy. Given the constantly evolving nature of the situation, should circumstances change before the time of the AGM and the GM which would allow shareholders to attend the meeting, the Company will provide updated details of the meeting format in order to adhere to the COVID restrictions in place at the time. 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.

### **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.

### **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 broker. Any significant investment reports from analysts are also circulated to the Board.

### **Going concern**

During the year ended 31 December 2020, the Group incurred a loss of US\$ 2 million (2019: US\$ 9 million) and experienced net cash outflows from operating activities of US\$ 4 million (2019: US\$ 15 million). Cash and



## Directors' Report for the year ended 31 December 2020 (continued)

cash equivalents totalled US\$ 12 million as at 31 December 2020 (2019: US\$ 16 million) and US\$ 7 million (2019: US\$ Nil) was restricted in terms of the amended facility agreement between Kropz Elandsfontein and BNP. 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 Original Equity Facility was expected to bring the Company's Elandsfontein project into production in Q4 2021. The Original Equity Facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the remaining US\$ 3 million of the Original Equity Facility. ZAR 77 million is currently locked up by BNP Paribas in the accounts of Kropz Elandsfontein in terms of the BNP Paribas amended facility agreement. The ZAR 77 million ringfenced by BNP will be released pro rata to the drawdowns in terms of the Original Equity Facility. Existing cash holdings, plus the remainder of the undrawn Original Equity Facility of US\$ 3 million and the ZAR 77 million to be released by BNP Paribas, will be utilised towards funding the construction and completion of Elandsfontein in Q4 2021.

During 2020, ZAR 92 million of the ZAR 200 million ringfenced by BNP was 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 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.

In February 2021, Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility"), to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. On 10 March 2021, Kropz received a drawdown of US\$ 2 million on the Further Equity Facility and on 23 June 2021, a further US\$ 2 million draw down. Drawdowns under the Further Equity Facility are at the sole discretion of Kropz. US\$ 1 million remains to be drawn down at the date of this report, with further quarterly drawdowns scheduled for 2021 and early 2022.

The COVID pandemic 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 outbreak. The timing and extent of the impact and recovery from COVID is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The Directors have reviewed the Group's overall cash position and outlook, for a period of at least the next twelve months following the date of signature of this Annual Report and have considered sensitivities and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern of accounting in preparing these financial statements. Certain key contracts associated with operational readiness and commencement of production activities at Elandsfontein are yet to be finalised. Current estimates are based on ongoing negotiations and proposals received from third party contractors. Failure to enter into contracts, based on these negotiated terms and expected timeframes, could negatively impact commissioning and create an additional funding requirement. Additionally, at the date of these financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause cost overruns that would require additional funding through the raising of debt or equity. As announced on RNS on 25 May 2021, there is a funding shortfall in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to the strengthening of the ZAR against the US\$ and further funds would be required. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available when needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## **Directors' Report for the year ended 31 December 2020 (continued)**

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.

### **Subsequent events**

Disclosures in relation to events after 31 December 2020 are shown in Note 35 to the Consolidated Financial Statements.

This Directors Report was approved by the Board of Directors.



**Mark Summers**  
**Chief Executive Officer**  
29 June 2021

## 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](http://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 2020 to 31 December 2020, with all the provisions of the Code except as follows:

- The Remuneration Committee comprises the Chairman as the chairperson of the committee, one independent non-executive Director 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, Sustainability and Risk 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 to date. This will be done in the 2021 financial year.

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 page 11.

### 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 12 to 16 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, Sustainability and Risk 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 large 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, Sustainability and Risk Committee (“Audit Committee”); and
- Remuneration and Nomination Committee (“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 one other independent non-executive Director 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, 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 group financial manager 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 three occasions.

The Board and its committees are supplied with appropriate and timely information, including detailed financial information, in order to discharge its duties. 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

During the year under review, two Audit Committee meetings and one Remuneration Committee meeting were held.

During the year there were three 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	3/3	2/2	1/1
Ian Harebottle	1/1	-	-
Mark Summers	3/3	-	-
Linda Beal	3/3	2/2	1/1
Mike Daigle	3/3	-	1/1
Mike Nunn	3/3	-	1/1
Machiel Reyneke	3/3	2/2	1/1

### 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 CEO, 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 27 to 28 . 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 the executive Director 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 27 to 28.

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 Director service contracts and of the Chairman's and the non-executive Directors' appointment letters are given on pages 31 to 32. Copies of service contracts and appointment letters are available for inspection at the Company's registered office during normal business hours.

### **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 27 to 28.

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, Monegasque 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 50.



## **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 2020 as the Board was constituted late in 2018. However, an evaluation will be undertaken in 2021.

### **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, 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 misstatement 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 12 to 16. 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 pages 38 to 40 of the Directors Report. The independent auditor's report is set out on pages 58 to 65.

The CEO provides, 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 Committee**

The Company has an Audit Committee comprised of Linda Beal, as the chairperson, together with Lord Robin Renwick of Clifton and Machiel Reyneke. The Audit Committee report is set out on pages 54 to 55.

#### **Remuneration Committee**

The Company has a Remuneration Committee, which during the 2020 financial year comprised of Lord Robin Renwick of Clifton, as the chairperson, together with Machiel Reyneke, Mike Nunn, Linda Beal and Mike Daigle. Mike Daigle resigned from the Remuneration Committee on 8 January 2021.

The Remuneration Committee report is set out on page 56.

### **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 and Kropz International, are represented on the Board. In addition, the Chairman and CEO have frequent direct face-to-face and virtual meetings throughout the period with some of the other major shareholders as well as with analysts and brokers.

#### **Constructive use of the AGM**

Under normal circumstances, 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. However, in light of the Government's response to the COVID pandemic, which includes restrictions on the gathering of people indoors, it has become necessary to restrict physical participation at the AGM. It is noted further that due to a delay in publishing the 2020 Accounts that a separate general meeting is being held on 23 July 2021, at which the 2020 Accounts will be received and adopted.

The Company has provided information in the notice of AGM and GM that is presented in a clear, concise and effective manner. Shareholders will still be 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. Shareholders will be able to submit those questions in writing via email, in accordance with the instructions contained in the Notice of AGM and Notice of GM. The board will publish a summary of any questions received which are of common interest, together with a written response on the Company's website as soon as practicable after the conclusion of the AGM and GM (as applicable).

## **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

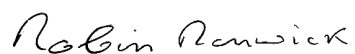
The Company's website contains a separate section titled "Investors" which contains key documents for its investors. The website also provides:

- 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 Computershare Investor Services. Their contact details are disclosed in the corporate directory of the Annual Report on pages 129 to 130. The market price

## **Corporate Governance Report (continued)**

of the AIM traded ordinary shares at 31 December 2020 was 4.25 pence. The highest and lowest price during the financial year was 10.25 pence and 4.25 pence per ordinary share respectively.



**Lord Robin William Renwick of Clifton**  
**Non-Executive Chairman**  
29 June 2021

## Report of the Audit, Sustainability and Risk Committee

The Audit, Sustainability and Risk Committee (“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, Sustainability 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 12 to 16.

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 two occasions during the 2020 financial year.

On 31 July 2020, the Audit Committee met with BDO to discuss the findings of the 2019 annual audit and 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 31 December 2019 annual financial statements prior to Board approval.

On 25 August 2020, the Audit Committee met to review the appropriateness of the Group's key accounting policies and judgements and to review the interim financial statements for the six months ended 30 June 2020, prior to Board approval.

On 28 January 2021, the Audit Committee met with BDO and discussed and reviewed the planning of the 2020 annual audit.

On 28 June 2021 the Audit Committee reviewed the 2020 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 2020 and that the going concern basis is the appropriate basis for preparation of the 2020 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 June 2021. Based on this review, the Audit Committee was satisfied with the effectiveness of the audit for the year ended 31 December 2020.



**Linda Beal**  
**Audit Committee Chair**  
29 June 2021

## Report of the Remuneration and Nomination Committee

During the 2020 financial year, the Remuneration and Nomination Committee ("Remuneration Committee") had five members, three of whom are independent non-executive Directors including the Chair, Lord Robin Renwick of Clifton. The Remuneration Committee comprised Linda Beal, Machiel Reyneke, Mike Nunn and Mike Daigle. Mike Nunn and Machiel Reyneke are not considered to be independent. Mike Daigle resigned from the Remuneration Committee on 8 January 2021.

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.

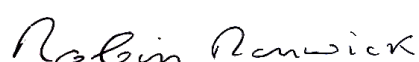
In addition, the Remuneration Committee is responsible for considering and recommending Board candidates for election or re-election, reviewing succession planning, determining the terms of employment and total remuneration of the executive Directors and Chairman and considering the Group's incentive 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 met on 31 July 2020 to approve executive remuneration increases for the year ended 30 June 2021 and the award of LTIP conditional awards to a Director and certain key members of the executive management team.



**Lord Robin William Renwick of Clifton**  
**Remuneration Committee Chairman**  
29 June 2021

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

The Directors are responsible for preparing the Annual Report and the 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 accounting standards in conformity with the requirements of the Companies Act 2006. Under company law 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 and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

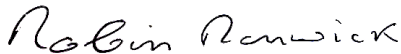
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 presume 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 29 June 2021 and signed on its behalf by:



**Non-Executive Chairman**  
**Lord Robin William Renwick of Clifton**  
29 June 2021



**Chief Executive Officer**  
**Mark Summers**  
29 June 2021

## Independent Auditor's Report to the Members of Kropz plc

### Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kropz plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remain 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.

### Material uncertainty related to going concern

We draw attention to the disclosures made in note 2a to the Parent Company and Group's financial statements, which explains that the Group requires further funding to be able to meet its forecast working capital requirements to the end of the going concern review period and risks exist which may give rise to delays and further additional funding being required. As stated in note 2a to the Parent Company and Group's financial statements, these events or conditions along with other matters as set out in note 2a indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Given the significant judgement exercised by the Directors in making the assessment as to whether it is appropriate to prepare the financial statements on a going concern basis we consider this to be a key audit matter.

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

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We discussed the impact of COVID-19 with management and the audit committee including their assessment of risks and uncertainties associated with the potential for project development delays and cost escalation. We compared this against our own assessment of risks and uncertainties based on our understanding of the business and mining sector information.
- We assessed management's financial forecasts prepared for a period of at least 12 months from the date of these financial statements. This included consideration of the reasonableness of key underlying assumptions by reference to recent expenditure and project plans, commitments on the exploration assets and external data on commodity prices and foreign exchange rates;
- We reviewed the terms and conditions of the Group's debt facilities and confirmed that they were appropriately reflected in the forecasts;
- We confirmed that equity draw downs in the forecasts are available under the terms of the ARC facilities;
- We agreed the opening cash position used in the cash flow forecast to the position at 31 December 2020;
- We performed an accuracy check on the mechanics of the cash flow forecast model prepared by management and the directors;
- We obtained management's sensitivity and stress testing analysis and considered whether such scenarios, including delays to the Elandsfontein project and related cost escalation were possible including consideration of the status and risks associated with the remaining contracts to be agreed, the further potential impacts of COVID-19 and the level of uncertainty in South Africa.
- Understanding management's options for the future fundraising to meet the Group's working capital requirements if required; and
- Evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

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

### Overview

<b>Coverage</b>	99% (2019: 99%) of Group total assets 95% (2019: 78%) of Group loss before tax		
<b>Key audit matters</b>		<b>Dec 2020</b>	<b>Dec 2019</b>
	• Carrying value of property, plant, equipment and mine development assets	Yes	Yes
	• Going concern	Yes	Yes
<b>Materiality</b>	<i>Group financial statements as a whole</i> US\$2,200,000 (2019: US\$2,480,000) based on 1.5% (2019: 1.5%) of total assets		

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

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 audit team. A full scope audit for group reporting purposes was performed by a BDO network firm in South Africa on Kropz Elandsfontein (Pty) Ltd with the group audit team performing specific procedures on all significant risk areas. The remaining non-significant components were subject to analytical review procedures by the group team.

### *Our involvement with component auditors*

For the work performed by component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditor included the following:

A planning meeting was held with the component auditor remotely and detailed group reporting instructions which included details 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 team and component management.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
<b>Carrying value of property, plant, equipment and mine development assets. Notes 2(s) and 4</b>	The Group's total property, plant, equipment and mine development assets at 31 December 2020 were \$114.5m in respect of the Elandsfontein mine in South Africa. This class of asset is the most significant to the statement of financial position.	Our audit procedures included:
	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.	Inspecting the mine to understand the proposed developments and future additions and modifications to the mine plant.
	The mine has been on care and maintenance and further investment and modification is required before commercial production can resume.	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 that may affect the value of the asset.  Assessing management's impairment review of the Group's mining assets under applicable accounting standards and critically challenging the significant estimates and

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

	<p>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 audit.</p> <p>Adequate disclosure should be made in the financial statement.</p>	<p>judgements made by management in determining the key assumptions, which include:</p> <ul style="list-style-type: none"> <li>• forecast phosphate prices</li> <li>• grade and volume of phosphate concentrate produced and ore reserves</li> <li>• production forecasts including forecast operating costs and exchange rates</li> <li>• discount rate</li> </ul> <p>In performing our work we verified these key assumptions to supporting documentation and market data. Our work included assessing technical reports that support the grade and output of product and reviewing the third party expert's report that support the sales prices, including comparison to market data supporting forecast demand-supply fundamentals. In addition, we assessed the independence and objectivity and competence of the third party experts.</p> <p>We recalculated the discount rate, evaluated the inputs against external data and performed sensitivity analysis using different rates.</p> <p>We considered the reasonableness of sensitivities applied by management, checked their calculation and performed our own sensitivity calculations in order to stress test the model.</p> <p>We reviewed the adequacy of the financial statement disclosures.</p> <p><b>Key observation</b></p> <p>Based on our work we consider the judgements and estimates made in Management's assessment of the carrying value of the Group's property, plant, equipment and mine</p>
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**Independent Auditor's Report to the Members of Kropz plc (continued)**

		development assets to be appropriate.
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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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	<b>Group financial statements</b>		<b>Parent company financial statements</b>	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<b>Materiality</b>	2,200,000	2,480,000	1,800,000	1,980,000
<b>Basis for determining materiality</b>	1.5% of Total assets at the planning stage. Although the value of assets increased from the audit planning stage, the audit team deemed it appropriate to keep the materiality unchanged.		80% of Group materiality	
<b>Rationale for the benchmark applied</b>	The materiality has been based on total assets as the Group is non-revenue generating or profit making. We consider Total assets to be one of the principal considerations for users of the Financial Statements.		Capped 80% (2019: 80%) of Group materiality given the assessment of the components aggregation risk, and size based on total assets of the Group.	
<b>Performance materiality</b>	1,400,000	1,600,000	1,100,000	1,280,000
<b>Basis for determining performance materiality</b>	65% of materiality. In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's control environment and management's attitude towards proposed adjustments.			

**Component materiality**

We set materiality for each component of the Group based on a percentage of between 35% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Where the statutory materiality for the Parent company was lower to the Group allocated materiality, the lower value was selected as a final component materiality. Component materiality ranged from US\$610,000 to US\$1,800,000 (2019: US\$868,000 to US\$1,980,000). In the audit of each component, we



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

further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US\$44,000 (2019: US\$49,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### 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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and 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.</p>
<b>Matters on which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

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

### **Responsibilities of Directors**

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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

- Obtaining an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most relevant laws and regulations related to company law, tax legislation, the financial reporting framework, applicable mining laws and environmental regulations;
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud;
- Holding discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud;
- Understanding how the Group is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and RNS announcements, review of the legal expenses account and a review of correspondence with legal counsel;
- Testing appropriateness of journal entries made throughout the period which met specific risk based criteria;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, including judgements applied within the key audit matters;
- Performing a detailed review of the Group's period-end adjusting entries and corroborating any that appeared unusual as to nature or amount to supporting documentation; and
- Performing detailed testing on account balances which were considered to be at greater risk of susceptibility to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and

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

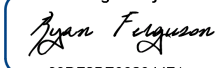
the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

DocuSigned by:



09DF2BE39294471  
Ryan Ferguson (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
Date: 29 June 2021

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 2020

	Notes	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Non-current assets</b>			
Property, plant, equipment and mine development	4	114,473	105,224
Exploration assets	5	44,348	40,192
Right-of-use asset	6	45	37
Other financial assets	7	1,477	1,534
		<b>160,343</b>	<b>146,987</b>
<b>Current assets</b>			
Inventories	8	821	875
Trade and other receivables	9	1,611	329
Derivative asset	10	8,586	-
Restricted cash	11	7,355	-
Cash and cash equivalents	12	11,572	15,530
		<b>29,945</b>	<b>16,734</b>
<b>TOTAL ASSETS</b>		<b>190,288</b>	<b>163,721</b>
<b>Current liabilities</b>			
Trade and other payables	19	4,780	1,536
Lease liabilities	16	42	19
Other financial liabilities	17	2,500	29,982
Current taxation	27	-	174
Other tax liabilities	20	-	451
		<b>7,322</b>	<b>32,162</b>
<b>Non-current liabilities</b>			
Shareholder loans	15	15,703	14,701
Lease liabilities	16	6	21
Other financial liabilities	17	28,113	-
Provisions	18	4,311	3,702
		<b>48,133</b>	<b>18,424</b>
<b>TOTAL LIABILITIES</b>		<b>55,455</b>	<b>50,586</b>
<b>NET ASSETS</b>		<b>134,833</b>	<b>113,135</b>

## Consolidated Statement of Financial Position As at 31 December 2020 (continued)

	Notes	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Shareholders' equity</b>			
Share capital	13	706	363
Share premium	13 / 14	168,212	147,339
Merger reserve	13 / 14	(20,523)	(20,523)
Foreign exchange translation reserve	14	2,334	53
Share-based payment reserve	14	385	167
Accumulated losses		(11,005)	(12,536)
Total equity attributable to the owners of the Company		140,109	114,863
Non-controlling interests	34	(5,276)	(1,728)
		<b>134,833</b>	<b>113,135</b>

The Notes on pages 71 to 118 form an integral part of these Consolidated Financial Statements. The Financial Statements on pages 58 to 118 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

  
**Mark Summers**  
**Chief Executive Officer**  
 29 June 2021

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December 2020

		Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
	Notes		
Revenue		-	-
Other income		29	9
Operating expenses	24	(5,912)	(6,631)
<b>Operating loss</b>		<b>(5,883)</b>	<b>(6,622)</b>
Finance income	23	1,244	1,638
Finance expense	26	(5,914)	(3,662)
Fair value gains from derivative asset	10	8,586	-
<b>Loss before taxation</b>		<b>(1,967)</b>	<b>(8,646)</b>
Taxation	27	36	(118)
<b>Loss after taxation</b>		<b>(1,931)</b>	<b>(8,764)</b>
<b>Profit / (loss) attributable to:</b>			
Owners of the Company		1,531	(6,290)
Non-controlling interests		(3,462)	(2,474)
		<b>(1,931)</b>	<b>(8,764)</b>
<b>Loss for the year</b>		<b>(1,931)</b>	<b>(8,764)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
- Exchange differences on translation of parent company financial statements from functional to presentation currency		1,922	3,226
- Exchange differences on translating foreign operations		273	(1,914)
<b>Total comprehensive income / (loss)</b>		<b>264</b>	<b>(7,452)</b>
Attributable to:			
Owners of the Company		3,812	(5,011)
Non-controlling interests		(3,548)	(2,441)
		<b>264</b>	<b>(7,452)</b>
<b>Profit / (loss) per share attributable to owners of the Company:</b>			
Basic and diluted (US cents)	28	<b>0.40</b>	<b>(2.30)</b>

### Consolidated Statement of Changes in Equity For the year ended 31 December 2020

	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Share- based payment reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
<b>Balance at 1 January 2019</b>	<b>335</b>	<b>142,026</b>	<b>(20,523)</b>	<b>(1,226)</b>	<b>-</b>	<b>(6,225)</b>	<b>114,357</b>	<b>1,138</b>	<b>115,495</b>
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
Costs of issuing shares	-	(31)	-	-	-	-	(31)	-	(31)
Acquisition of non-controlling interests	-	-	-	-	-	9	9	(425)	(416)
Share based payment charges	-	-	-	-	137	-	137	-	137
<b>Transactions with owners</b>	<b>28</b>	<b>5,313</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>9</b>	<b>5,517</b>	<b>(425)</b>	<b>5,092</b>
<b>Balance at 31 December 2019</b>	<b>363</b>	<b>147,339</b>	<b>(20,523)</b>	<b>53</b>	<b>167</b>	<b>(12,536)</b>	<b>114,863</b>	<b>(1,728)</b>	<b>113,135</b>
Total comprehensive profit / (loss) for the year	-	-	-	2,281	-	1,531	3,812	(3,548)	264
Issue of shares	343	21,173	-	-	-	-	21,516	-	21,516
Cost of issuing shares	-	(320)	-	-	-	-	(320)	-	(320)
Issue of warrants	-	(10)	-	-	10	-	-	-	-
Lapsed warrants	-	30	-	-	(30)	-	-	-	-
Share based payment charges	-	-	-	-	238	-	238	-	238
<b>Transactions with owners</b>	<b>343</b>	<b>20,873</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>-</b>	<b>21,434</b>	<b>-</b>	<b>21,434</b>
<b>Balance at 31 December 2020</b>	<b>706</b>	<b>168,212</b>	<b>(20,523)</b>	<b>2,334</b>	<b>385</b>	<b>(11,005)</b>	<b>140,109</b>	<b>(5,276)</b>	<b>134,833</b>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2020**

	Notes	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(1,967)	(8,646)
Adjustments for:			
Depreciation of property, plant and equipment	4	780	894
Amortisation of right-of-use assets	6	51	18
Share-based payment charge	13	238	137
Finance income	23	(1,244)	(1,638)
Finance costs	26	2,948	3,662
Fair value gain on derivative asset	10	(8,586)	-
Debt modification loss	17	1,109	-
Debt modification present value adjustment	18	(119)	-
Foreign currency exchange differences		261	38
Fair value loss on game animals	4	18	43
<b>Operating cash flows before working capital changes</b>		<b>(6,511)</b>	<b>(5,492)</b>
(Increase) / decrease in trade and other receivables	29	(1,278)	66
Decrease / (increase) in inventories	29	17	(6)
Increase / (decrease) in trade and other payables	29	3,356	(9,771)
(Decrease) / increase in other tax liabilities		(388)	451
Decrease in amounts due to related parties		-	33
Increase / (decrease) in provisions	29	765	(324)
		<b>(4,039)</b>	<b>(15,043)</b>
Income taxes paid		(128)	(15)
<b>Net cash flows used in operating activities</b>		<b>(4,167)</b>	<b>(15,058)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(14,589)	(1,895)
Exploration and evaluation expenditure	5	(257)	(289)
Disposal of other financial assets	7	-	124
Finance income received	21	1,244	1,638
Transfer to restricted cash	11	(7,355)	-
<b>Net cash flows used in investing activities</b>		<b>(20,957)</b>	<b>(422)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid	24	(2,948)	(3,662)
Shareholder loan received / (repaid)	27	1,624	(32)
Repayment of lease liabilities	16	(53)	(16)
Other financial liabilities	29	1,935	(814)
Issue of ordinary share capital	13	21,516	4,243
Costs of share issues	13	(320)	(31)
<b>Net cash flows from financing activities</b>		<b>21,754</b>	<b>(312)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(3,370)</b>	<b>(15,792)</b>
Cash and cash equivalents at beginning of the year		15,530	30,457
Foreign currency exchange (losses) / gains on cash		(588)	865
<b>Cash and cash equivalents at end of the year</b>		<b>11,572</b>	<b>15,530</b>



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020

### (1) General information

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

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

The Company entered into a number of agreements during 2018 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 2020, the Group incurred a loss of US\$ 2 million (2019: US\$ 9 million) and experienced net cash outflows from operating activities of US\$ 4 million (2019: US\$ 15 million). Cash and cash equivalents totalled US\$ 12 million as at 31 December 2020 (2019: US\$ 16 million) and US\$7 million (2019: US\$ Nil) was restricted in terms of the amended facility agreement between Kropz Elandsfontein and BNP. 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 Original Equity Facility was expected to bring the Company's Elandsfontein project into production in Q4 2021. The Original Equity Facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the remaining US\$ 3 million of the Original Equity Facility. ZAR 77 million is currently locked up by BNP Paribas in the accounts of Kropz Elandsfontein in terms of the BNP Paribas amended facility agreement. The ZAR 77 million ringfenced by BNP will be released pro rata to the drawdowns in terms of the Original Equity Facility. Existing cash holdings, plus the remainder of the undrawn Original Equity Facility of US\$ 3 million and the ZAR 77 million to be

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

released by BNP Paribas, will be utilised towards funding the construction and completion of Elandsfontein in Q4 2021.

During 2020, ZAR 92 million of the ZAR 200 million ringfenced by BNP was 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 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.

In February 2021, Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility"), to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. On 10 March 2021, Kropz received a drawdown of US\$ 2 million on the Further Equity Facility and on 23 June 2021, a further US\$ 2 million draw down. Drawdowns under the Further Equity Facility are at the sole discretion of Kropz. US\$ 1 million remains to be drawn down at the date of this Annual Report, with further quarterly drawdowns scheduled for 2021 and early 2022.

The COVID pandemic 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 outbreak. The timing and extent of the impact and recovery from COVID is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The Directors have reviewed the Group's overall cash position and outlook, for a period of at least the next twelve months following the date of signature of this Annual Report and have considered sensitivities and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern of accounting in preparing these financial statements. Certain key contracts associated with operational readiness and commencement of production activities at Elandsfontein are yet to be finalised. Current estimates are based on ongoing negotiations and proposals received from third party contractors. Failure to enter into contracts, based on these negotiated terms and expected timeframes, could negatively impact commissioning and create an additional funding requirement. Additionally, at the date of these financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause cost overruns that would require additional funding through the raising of debt or equity. As announced on RNS on 25 May 2021, there is a funding shortfall in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to the strengthening of the ZAR against the US\$ and further funds would be required. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available when needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### *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.

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.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### *Changes in accounting policies*

#### (i) New standards, interpretations and amendments adopted from 1 January 2020

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2020 are:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 9: IAS 39 and IFRS 7 Interest Rate Benchmark Reform;
- Amendments to IFRS 16: COVID-19-Related Rent Concessions; and
- Amendments to IAS 1 and IAS 8 Disclosure Initiative – Definition of Material.

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

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

At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU). Management are currently assessing the impact of these new standards on the Group.

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use; and
- Amendments to IFRS 3 References to Conceptual Framework.

### **(b) Basis of consolidation**

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

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

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

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

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

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

### **Non-controlling interests**

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

### **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;
- Capitalised pre-production expenditure; and

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

- 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.

Borrowings are capitalised for assets under construction meeting the eligibility requirements.

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

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

### Useful lives and residual values

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Stripping activity asset

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

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

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

### (d) Mineral exploration and evaluation costs

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

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

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

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

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

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

### (e) Leases

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. 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.

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.



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

### (g) Financial instruments

#### ***Classification and measurement***

The Group classifies its financial instruments into the following categories:

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

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)**

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

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

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

At initial recognition, trade and other receivables that do not have a significant financing component are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

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

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

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

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

### ***Modification of debt instruments***

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

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

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

## **(h) Taxation**

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

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

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

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

### ***Tax expense***

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

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

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (j) Inventories

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

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

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

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

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

### (k) Provisions and contingencies

#### *Environmental rehabilitation*

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

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

#### *Decommissioning provision*

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (l) Share capital and equity

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

### (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.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

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

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

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

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

#### (iii) *Functional currency*

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

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

### (v) *Other financial assets*

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

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

### (vi) *Taxation*

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

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

Management's judgement is that due to the mine remaining in care and maintenance it is premature to recognise a deferred tax asset for the accumulated tax losses.

### (vii) *Fair value of financial instruments*

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



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (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.

#### *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.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### *Fair value of derivative instruments*

Information about the specific techniques, assumptions and inputs is disclosed in Note 10 to the Consolidated Financial Statements.

### (3) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2020, 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, Tortola, British Virgin Islands	Phosphate exploration	100 per cent.
Cominco S.A.	RoC		Development	100 per cent. ****
Cominco Resources (UK) Ltd	England and Wales		Service company	100 per cent. ****

\* 46.67 per cent. held indirectly

\*\* 38.18 per cent. held indirectly

\*\*\* Interest sold in early 2021

\*\*\*\* held indirectly

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	31 Dec 2019
	Cost	Accumulated Depreciation	Carrying value	Cost	Accumulated Depreciation	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Buildings and infrastructure</b>						
Land	2,067	-	2,067	2,159	-	2,159
Buildings	11,003	(12)	10,991	11,489	(9)	11,480
Capitalised road costs	8,824	(2,647)	6,177	9,214	(2,150)	7,064
Capitalised electrical sub-station costs	3,828	(1,063)	2,765	3,998	(844)	3,154
<b>Machinery, plant and equipment</b>						
Critical spare parts	1,285	-	1,285	1,213	-	1,213
Plant and machinery	66,683	(74)	66,609	56,357	(73)	56,284
Water treatment plant	1,129	-	1,129	-	-	-
Furniture and fittings	44	(41)	3	45	(42)	3
Geological equipment	47	(47)	-	49	(49)	-
Office equipment	35	(17)	18	36	(12)	24
Other fixed assets	1	(1)	-	1	(1)	-
Motor vehicles	128	(128)	-	133	(127)	6
Computer equipment	47	(42)	5	44	(39)	5
<b>Mine development</b>	20,046	-	20,046	20,354	-	20,354
<b>Stripping activity costs</b>	3,193	-	3,193	3,265	-	3,265
<b>Game animals</b>	185	-	185	213	-	213
<b>Total</b>	<b>118,545</b>	<b>(4,072)</b>	<b>114,473</b>	<b>108,570</b>	<b>(3,346)</b>	<b>105,224</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

#### Game animals

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

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

Levels of fair value measurements – Level 3.

#### Impairment

The Elandsfontein mine is currently under development. The Directors have therefore carried out 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 2020 (continued)

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

- Discount rate;
- 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 obtained from independent external commissioned experts and a forecast South African rand exchange rate which is aligned with forward market rates. Commissioning of the Elandsfontein project remains dependent on the finalisation of certain key contracts, on mutually acceptable terms, with third party contractors. Current estimates and forecasts are based on ongoing negotiations and proposals received from those third party contractors. Based on the assumptions the recoverable amount of assets significantly exceeds its carry amount and therefore assets were not impaired.

### Sensitivity Analysis

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

		Headroom (%)
Impact if discount rate	Breakeven point (13.77%)	0
	Increased by 5%	13
Impact if selling prices	increased by 10%	107
	reduced by 10%	(0.3)
Impact if production tonnes	increased by 10%	109
	reduced by 10%	(0.3)
Impact if operating costs:	increased by 10%	(18)
	reduced by 10%	89

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

	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	31 Dec 2019
	Cost	Amort- isation	Carrying value	Cost	Amort- isation	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capitalised costs	44,348	-	44,348	40,192	-	40,192

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.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Reconciliation of exploration assets

	Opening Balance US\$'000	Additions US\$'000	Foreign exchange gain US\$'000	Closing balance US\$'000
<b>Year ended 31 December 2020</b>				
Capitalised exploration costs	40,192	257	3,899	44,348
	Opening Balance US\$'000	Additions US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
<b>Year ended 31 December 2019</b>				
Capitalised exploration costs	40,772	289	(869)	40,192

### (6) Right-of-use assets

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Cost</b>		
Brought forward	55	-
Capitalisation due to transition to IFRS 16	-	54
Additions	61	-
Foreign exchange differences	1	1
<b>As at 31 December</b>	<b>117</b>	<b>55</b>
<b>Amortisation</b>		
Brought forward	18	-
Charge for the year	51	18
Foreign exchange differences	3	-
<b>As at 31 December</b>	<b>72</b>	<b>18</b>
<b>Net book value</b>	<b>45</b>	<b>37</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (7) Other financial assets

	31 December 2020 US\$'000	31 December 2019 US\$'000
DMR guarantee (1)	687	712
Eskom guarantee (2)	359	373
Eskom guarantee (3)	363	378
Heritage Western Cape Trust (4)	68	71
<b>Total</b>	<b>1,477</b>	<b>1,534</b>

#### (1) DMR guarantee

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

#### (2) Eskom guarantee

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

#### (3) Eskom guarantee

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

#### (4) Heritage Western Cape Trust

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

#### Fair value of other financial assets

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

### (8) Inventories

	31 December 2020 US\$'000	31 December 2019 US\$'000
Consumables	798	851
Spare parts	23	24
<b>Total</b>	<b>821</b>	<b>875</b>

### (9) Trade and other receivables

	31 December 2020 US\$'000	31 December 2019 US\$'000
Prepayments and accrued income	124	62
Deposits	47	49
VAT	1,326	71
Other receivables	114	147
<b>Total</b>	<b>1,611</b>	<b>329</b>



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Credit quality of trade and other receivables

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

### Credit risk

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

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

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

### Trade and other receivables impaired

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

### Fair value of trade and other receivables

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

### Expected credit losses

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

## (10) Derivative asset

	31 December 2020 US\$'000	31 December 2019 US\$'000
Convertible loan facility	8,586	-

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (11) Restricted cash

	31 December 2020 US\$'000	31 December 2019 US\$'000
Short-term deposits	7,355	-

In May 2020, Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5 per cent. plus US LIBOR, up to project completion and 4.5 per cent. plus US LIBOR thereafter. In addition, the amended BNP facility agreement locked up ZAR 200 million of cash held in the bank account of Kropz Elandsfontein at that time, to be released by BNP to Kropz Elandsfontein pro rata drawdowns from ARC in terms of the Original Equity Facility. The locked up funds would be released by BNP in the ratio of 1:3, representing a drawdown of ZAR1 for every ZAR3 drawn down from ARC in terms of the Original Equity Facility. At 31 December 2020, ZAR 108 million remained locked up and invested with BNP as short-term deposits.

#### Fair value of short-term deposits

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

### (12) Cash and cash equivalents

	31 December 2020 US\$'000	31 December 2019 US\$'000
Bank balances	11,571	15,528
Cash on hand	1	2
<b>Total</b>	<b>11,572</b>	<b>15,530</b>

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

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

#### Fair value of cash at bank

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (13) Share capital

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

	Number of shares	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Total US\$'000
<b>At 1 January 2019</b>	<b>261,881,253</b>	<b>335</b>	<b>142,026</b>	<b>(20,523)</b>	<b>121,838</b>
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)
<b>As at 31 December 2019</b>	<b>283,406,307</b>	<b>363</b>	<b>147,339</b>	<b>(20,523)</b>	<b>127,179</b>
Placing of shares	4,505,060	5	349	-	354
Convertible loan – issue of shares	244,866,271	306	18,694	-	19,000
Open offer – issue of shares	25,849,920	32	2,130	-	2,162
Cost of issuing shares	-	-	(320)	-	(320)
Lapsed warrants	-	-	30	-	30
Issue of warrants	-	-	(10)	-	(10)
<b>At 31 December 2020</b>	<b>558,627,558</b>	<b>706</b>	<b>168,212</b>	<b>(20,523)</b>	<b>148,395</b>

#### *Issue of shares in the year ended 31 December 2020:*

The changes to the issued share capital of the Company which occurred between 1 January 2020 and 31 December 2020 were as follows:

#### **Placing of shares**

On 1 June 2020, the Company placed a total of 4,505,060 shares to an existing investor and two Directors (300,000 shares were placed with Lord Robin Renwick and 30,000 with Mark Summers) at a price of 6.75 pence per ordinary share for a total cash consideration of GBP 304,000 (before expenses) (equal to approximately US\$ 354,000).

#### **Open offer**

Under the terms of an Open Offer, the Company issued a total of 25,849,920 shares on 26 June 2020 at 6.75 pence per ordinary share for a total cash consideration of GBP 1,745,000 (before expenses) (equal to approximately US\$ 2,162,000).

ARC subscribed for 25,481,482 Open Offer Shares on the same terms (equal to approximately US\$ 2,132,000). Mark Summers subscribed for 50,000 Open Offer shares.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Convertible loan facility

In addition to the Placing and Open Offer, the Group secured a convertible loan facility from ARC, Kropz's major shareholder, in June 2020 for the development of Elandsfontein. Under the terms of the convertible equity facility, ARC committed to provide up to a ZAR equivalent of US\$ 40 million (ZAR 680 million) to the Company which will be converted into new ordinary shares. The cap of ZAR 680 million was put in place as ARC secured this facility from Rand Merchant Bank in South Africa in order to fulfil its commitments to the Company. The Company, via Kropz Elandsfontein, receives the ZAR equivalent of the draw down based on the actual exchange rate prevailing at the time of the draw down, subject to a maximum exchange rate of ZAR 17 to the US\$. The convertible loan facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US\$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a draw down.

In June 2020, the Company made its first quarterly drawdown request in terms of the convertible loan facility. The first drawdown which was for US\$ 10 million was paid by way of issue of 130,199,604 new ordinary shares at the issue price of 6.75 pence per ordinary share to ARC on 26 June 2020.

The second draw down was for US\$ 4 million which was paid by way of issue of 50,962,963 new ordinary shares at the issue price of 6.75 pence per ordinary share to ARC on 25 September 2020.

The third drawdown was for US\$ 5 million which was paid by way of issue of 63,703,704 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 10 December 2020.

### Share based payment arrangements

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

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

The following plans have been adopted by the Company:

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

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

### ESOP Awards

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

The ESOP Awards 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.

### ESOP Award assumptions at issue date

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

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

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

### LTIP Awards

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

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

### LTIP Award assumptions at issue date

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

The charge to profit and loss was US\$ 238,000 (31 December 2019: US\$ 137,000).

The LTIP Awards are nil priced options over a total of 6,700,000 ordinary shares representing 1.2 per cent. of the Company's issued share capital at 31 December 2020. Following the grant of the LTIP Awards, together with the existing 4,827,746 ESOP Awards, the ESOP Awards and LTIP Awards represent 2.1 per cent. of the Company's issued share capital at 31 December 2020.

### Equity warrants

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

The warrants were issued to brokers in relation to their involvement in issuance of equity instruments of the Company. The services provided relate to share issuance and share issuance expenses are included within equity. The warrants were valued at the year end using a Black-Scholes valuation model. The charge to share premium account in respect of warrants issued during the year was US\$ 10,000 (31 December 2019: US\$ 30,000). An amount totalling US\$ 30,000 has been credited to share premium in respect of warrants that lapsed during the year (31 December 2019: US\$ nil).

No equity warrants have been exercised and 1,200,000 warrants were forfeited during the year. Accordingly, 121,837 equity warrants remained in place at 31 December 2020 (31 December 2019: 1,200,000 equity warrants).

## (14) Reserves

### Nature and purpose of reserves

#### Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these consolidated financial statements from their functional currencies to the presentational currency. An addition to the reserve of US\$ 2,281,000 (2019: US\$ 1,279,000) was recorded due to changes in the foreign currencies used to translate assets, liabilities and equity at consolidation.

#### Share premium

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Merger reserve

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

### Share-based payment reserve

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

### (15) Shareholder loan payable

	31 December 2020 US\$'000	31 December 2019 US\$'000
ARC	15,703	14,701

The loans are: (i) US\$ denominated, but any repayments will be made in ZAR at the then prevailing ZAR/US\$ exchange rate; (ii) carry interest at monthly US LIBOR plus 3 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).

### Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

### (16) Finance lease liabilities

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>In respect of right-of-use assets</b>		
Balance brought forward	40	-
Additions during the year	60	54
Repayments during the year	(53)	(15)
Foreign exchange differences	1	1
<b>Lease liabilities at end of year</b>	<b>48</b>	<b>40</b>
	<b>As at 31 December 2020 US\$'000</b>	<b>As at 31 December 2019 US\$'000</b>
<b>Maturity</b>		
Current	42	19
Non-current	6	21
<b>Total lease liabilities</b>	<b>48</b>	<b>40</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (17) Other financial liabilities

	31 December 2020 US\$'000	31 December 2019 US\$'000
BNP	30,118	29,537
Greenheart Foundation	495	445
<b>Total</b>	<b>30,613</b>	<b>29,982</b>
Non-current financial liabilities	28,113	-
Current financial liabilities	2,500	29,982
<b>Total</b>	<b>30,613</b>	<b>29,982</b>

#### BNP

A US\$ 30,000,000 facility was made available by BNP to Kropz Elandsfontein in September 2016. Interest was charged at three months US LIBOR plus 4.5 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. The waiver and restructured facility were only contingent on the admission of Kropz plc's shares to trading on AIM by 30 November 2018, which did occur on that date. The facility has been fully drawn down.

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

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

#### Greenheart Foundation

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

#### Fair value of other financial liabilities

The carrying value of the loans approximate their fair value.



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (18) Provisions

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

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

#### Reconciliation of provisions – Period 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
<b>Total</b>	<b>3,931</b>	<b>(324)</b>	<b>95</b>	<b>3,702</b>

#### Dismantling and rehabilitation provisions

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technologic and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the mine. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. In determining the environmental rehabilitation liability, an inflation rate of 6% was assumed to increase the rehabilitation liability for the next 10 years, and a rate of 8.59% to discount that amount to present value.

### (19) Trade and other payables

	31 December 2020 US\$'000	31 December 2019 US\$'000
Trade payables	4,471	932
Other payables	17	91
Accruals	292	513
<b>Total</b>	<b>4,780</b>	<b>1,536</b>

#### Fair value of trade and other payables

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (20) Other tax liabilities

	31 December 2020 US\$'000	31 December 2019 US\$'000
Withholding taxes	-	451
<b>Total</b>	<b>-</b>	<b>451</b>

The withholding tax liabilities relate to the loan from ARC.

### (21) Commitments

	31 December 2020 US\$'000	31 December 2019 US\$'000
Authorised capital commitments	14,815	5,698

The committed expenditure relates to plant construction.

### (22) Directors' remuneration, interests and transactions

The Director of the Company and the two executives of Kropz Elandsfontein and Cominco Resources are considered to be the Key Management Personnel of the Group. Details of the Directors remuneration, Key Management Personnel remuneration which totalled US\$ 1,413,184 (2019: US\$ 1,503,485) (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 2020 GBP exchange rate of 0.733 and ZAR exchange rate of ZAR 14.661.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of US\$ 295,516 (2019: US\$ 388,742).

### (23) Finance income

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Foreign currency gains	109	855
Interest income received	1,135	783
<b>Total</b>	<b>1,244</b>	<b>1,638</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (24) Operating expenses

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Fair value loss on game animals	18	43
Amortisation of right of use asset	51	18
Depreciation of property, plant and machinery	780	894
Employee costs	1,171	1,361
Share option cost	238	137
Electricity and water – mine operations	807	886
Inventory expense	16	6
Mining costs	167	429
Plant operating costs and recoveries	833	884
Professional and other services	951	1,043
Auditor's remuneration in respect of audit of the Group and parent	145	83
Auditor's remuneration in respect of audit of the Cominco Group	32	29
Other expenses	703	955
<b>Total</b>	<b>5,912</b>	<b>6,631</b>

### (25) Staff costs

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
The average monthly number of employees was:		
Operations	9	8
Finance and administration	6	5
Management	3	3
	<b>18</b>	<b>16</b>

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	823	1,112
Social security costs	109	111
Share-based payments	238	137
Pension costs	1	1
	<b>1,171</b>	<b>1,361</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (26) Finance expense

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Shareholder loans	611	768
Foreign exchange losses	1,857	-
Bank debt	2,061	2,892
BNP – debt modification loss (Note 17)	1,109	-
BNP – debt modification present value adjustment	(119)	-
BNP amendment fee	104	-
Finance leases	2	2
Other	289	-
<b>Total</b>	<b>5,914</b>	<b>3,662</b>

### (27) Taxation

#### Major components of tax charge

	Year ended 31 December 2020 US\$'000	Period ended 31 December 2019 US\$'000
<b>Deferred</b>		
Originating and reversing temporary differences	-	-
<b>Current tax</b>		
Local income tax recognised in respect of current year	-	34
Local income tax recognised in respect of prior year	(36)	84
<b>Total</b>	<b>(36)</b>	<b>118</b>

#### Reconciliation of tax charge

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Loss before tax	(1,967)	(8,646)
Applicable UK tax rate	19%	19%
Tax at applicable tax rate	(374)	(1,643)
Adjustments for different tax rates in the Group	(1,219)	(981)
Non-taxable gains	(1,631)	-
Disallowable expenditure	648	146
Prior year tax charge	(36)	84
Losses carried forward not recognised	2,576	2,512
<b>Tax (credit) / charge</b>	<b>(36)</b>	<b>118</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

The movement in tax liabilities is summarised below:

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Balance brought forward	174	66
Prior year tax charge	-	-
Current year charge	(36)	118
Tax paid	(128)	(15)
Foreign exchange differences	(10)	5
<b>Balance carried forward</b>	<b>-</b>	<b>174</b>

The Group had losses for tax purposes of approximately US\$ 43.8 million as at 31 December 2020 (2019: US\$ 37.6 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\$ 12.3 million (2019: US\$ 10.5 million), after set off of accelerated depreciation allowances in respect of fixed assets of US\$ 29.9 million (2019: US\$ 27.1 million), arises in respect of these losses. It has not been recognised 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 2020 US\$'000	Year ended 31 December 2019 US\$'000
Profit / (loss) attributable to ordinary shareholders	1,531	(6,290)
Weighted average number of ordinary shares in Kropz plc	383,896,428	273,467,747
<b>Basic and diluted earnings / (loss) per share (US\$ cents)</b>	<b>0.40</b>	<b>(2.30)</b>

Because the Group was in a net loss position in 2019, diluted loss per share excludes the effects of ordinary share equivalents consisting of stock options and warrants, which are anti-dilutive.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (29) Notes to the statement of cash flows

#### Issue of shares

##### Year ended 31 December 2020

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

##### 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)
<b>As at 31 December 2019</b>	<b>1,129</b>	<b>4,212</b>	<b>5,341</b>

#### Net debt reconciliation

##### Year ended 31 December 2020

	Opening Balance US\$'000	Accrued interest US\$'000	New agreements US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Cash and cash equivalents	15,530	-	-	3,984	(587)	18,927
Other financial assets	1,534	-	-	-	(57)	1,477
Shareholder loan payable	(14,701)	(1,624)	-	-	622	(15,703)
Other financial liabilities	(29,982)	(1,935)	-	-	1,304	(30,613)
Finance leases	(40)	-	(60)	53	(1)	(48)
<b>Total</b>	<b>(27,659)</b>	<b>(3,559)</b>	<b>(60)</b>	<b>4,037</b>	<b>1,281</b>	<b>(25,960)</b>

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### 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)
<b>Total</b>	<b>(12,374)</b>	<b>(55)</b>	<b>(15,054)</b>	<b>(176)</b>	<b>(27,659)</b>

### Reconciliation of working capital items:

### Year ended 31 December 2020

	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	329	1,278	-	4	1,611
Inventories	875	(17)	-	(37)	821
Trade and other payables	(1,536)	(3,356)	-	112	4,780
Provisions	(3,702)	(304)	-	156	(3,850)

### 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)

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (30) Related parties

#### Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

<b>Name</b>	<b>Relationship</b>
Mark Summers	Director
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
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.

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

#### Related party balances

##### Loan accounts – owed to related parties

	<b>31 December 2020 US\$'000</b>	<b>31 December 2019 US\$'000</b>
ARC	(15,703)	(14,701)
<b>Total</b>	<b>(15,703)</b>	<b>(14,701)</b>

#### Related party balances

##### Interest paid to related parties

	<b>Year ended 31 December 2020 US\$'000</b>	<b>Year ended 31 December 2019 US\$'000</b>
ARC	611	768
<b>Total</b>	<b>611</b>	<b>768</b>



## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### Convertible loan facility

As described in Note 13, the Company made drawdowns totalling US\$ 19 million under its convertible loan facility from ARC.

### (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 2020 US\$'000	31 December 2019 US\$'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables	1,611	329
Other financial assets	1,477	1,534
Derivative asset	8,586	-
Restricted cash	7,355	-
Cash and cash equivalents	11,572	15,532
<b>Total</b>	<b>30,601</b>	<b>17,395</b>

#### Recognised fair value measurements

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

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

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

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. At the reporting date, the Group had a convertible facility with ARC. The US\$ amount of the facility is convertible into ordinary shares of the parent entity (Note 13).

#### (ii) Fair value hierarchy

The fair value hierarchy consists of the following levels

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

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2020</b>				
Derivative asset	-	-	8,586	8,586
<b>2019</b>				
Derivative asset	-	-	-	-

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

**Level 1:** the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximises the use of observable data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument is observable, the instrument is included in level 2.

**Level 3:** if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The fair value of the convertible loan not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable inputs (such as share price and terms and conditions of the convertible loan) and released of the initial calibration adjustment to the profit and loss.

- (iii) Valuation techniques used to determine fair values  
Specific valuation techniques used to value financial instruments include:
- Use of the quoted market price or dealer quotes for similar instruments;
  - The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
  - The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
  - The fair value of the remaining financial instruments as determined using discounted cash flow analysis.

### Financial liabilities by category

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

	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Financial liabilities at amortised cost</b>		
Shareholder loans payable	15,703	14,701
Trade and other payables	4,780	1,536
Finance leases	48	40
Other financial liabilities	30,613	29,982
<b>Total</b>	<b>51,144</b>	<b>46,259</b>

### (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.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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, 16 and 17 and equity as disclosed in the Statement of Financial Position.

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

### Liquidity risk:

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

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

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

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

	Less than one year US\$'000	Between one and two years US\$'000	Between two and five years US\$'000	Over five years US\$'000
<b>At 31 December 2019</b>				
Shareholder loans payable	-	-	-	28,021
Trade and other payables	1,536	-	-	-
Finance leases	19	21	-	-
Other financial liabilities	2,726	2,281	33,751	-
<b>Total</b>	<b>4,281</b>	<b>2,302</b>	<b>33,751</b>	<b>28,021</b>

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)**

### **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 2020, 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 would have been approximately US\$ 450,000 (2019: US\$ 440,000) higher/lower respectively.

### **Foreign currency risk:**

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

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

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

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

	Functional currency		
	South African Rand US\$'000	British Pound US\$'000	Total US\$'000
<b>As at 31 December 2019</b>			
<b>Financial assets denominated in US\$</b>	-	1,252	1,252
<b>Financial liabilities denominated in US\$</b>	(44,689)	-	(44,689)
<b>Net foreign currency exposure</b>	<b>(44,689)</b>	<b>1,252</b>	<b>(43,437)</b>

### 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 2020 Increase/ (Decrease) US\$'000	As at 31 December 2019 Increase/ (Decrease) US\$'000
<b>Effects on net assets</b>		
<b>Rand:</b>		
- strengthened by 10 per cent.	(4,424)	(4,469)
- weakened by 10 per cent.	4,424	4,469
<b>Effects on net assets</b>		
<b>GBP:</b>		
- strengthened by 10 per cent.	97	125
- weakened by 10 per cent.	(97)	(125)

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

### (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 two principal geographical areas – South Africa and the RoC.

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

	South Africa US\$'000	Congo US\$'000	Group US\$'000
<b>As at 31 December 2020</b>			
Total non-current assets	116,027	44,316	160,343
	South Africa US\$'000	Congo US\$'000	Group US\$'000
<b>As at 31 December 2019</b>			
Total non-current assets	106,851	40,136	146,987

### (34) Non-controlling interests

	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>As at beginning of year</b>	(1,728)	1,138
Share of losses for the year	(3,462)	(2,474)
Share of other comprehensive income	(86)	33
Purchase of non-controlling interests in subsidiaries	-	(425)
<b>As at end of the year</b>	<b>(5,276)</b>	<b>(1,728)</b>
<b>Non-controlling interests in cash flows</b>	<b>(4,093)</b>	<b>(4,403)</b>

### (35) Material subsequent events

#### EMPr

On 1 July 2020, the DMRE issued a directive to Kropz Elandsfontein to submit an updated EMPr, in line with the requirements of the National Environmental Management Act. The updated EMPr was submitted to the DMRE in the first week of September 2020.

On 26 March 2021, management received the updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

#### Offsets

In July 2020, Kropz Elandsfontein submitted a revised Offset Study to the DMRE. Management informed the DMRE that the 2015 Offset Study for the Elandsfontein project did not adequately consider

## Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

Kropz Elandsfontein's effective rehabilitation measures which have demonstrated successful implementation over the past three growing seasons. Kropz' Elandsfontein's rehabilitation measures have been shown to guarantee future rehabilitation success, if conducted in accordance with the approved and financially secured mine rehabilitation plan drafted by Kropz Elandsfontein's appointed rehabilitation specialist.

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

Several appeals against the DMRE's decision have been lodged and are being dealt with and Kropz will update the market once these matters have been resolved.

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

The outstanding appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. During this fourth sitting of the matter, all evidence was heard by the Water Tribunal. The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling on 10 March 2021. The appellant has subsequently been granted two postponements for the submission of their heads of arguments, which has delayed the possible date of the ruling to 31 July 2021.

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

Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly drawdowns under the Equity Facility are at the sole discretion of Kropz. The first draw down on the Further Equity Facility occurred on 10 March 2021 and second draw down of US\$ 2 million occurred on 23 June 2021. No specific shareholder approval was required for the Further Equity Facility as the Company received the necessary authority at the AGM in August 2020 to allot shares for cash, without first offering them to existing shareholders in proportion to their existing shareholdings, of approximately 20 per cent. of the Company's issued share capital at that time, representing 88,792,180 new ordinary shares. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

The next drawdown is anticipated on 10 September 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 4.202 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.73 GBP. US\$ 1 million of the Further Equity Facility remains to be drawn down in 2021 / 2022.

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

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

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

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

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

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)**

- (iii) Consortium disposing or transferring the prospecting right prior to the event described in (i) being achieved.

### **Derivative asset**

As disclosed in Note 10, a US\$ 8.6 million derivative asset was recognised in relation to the undrawn Original Equity Facility from ARC to Kropz totalling US\$ 21 million as at 31 December 2020. As at signing of these financial statements, US\$ 3 million remains undrawn and in accordance with IFRS the derivative is revalued for changes in the share price prior to draw downs with a resulting loss for revaluation booked to Profit and Loss and the remaining receivable extinguished through equity based on the relative draw down percentage of the US\$ 21 million undrawn at year end. As at signing of the report the derivative asset value is approximately US\$ 0.5 million.

### **COVID Outbreak**

The COVID pandemic 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 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 and construction operations have continued on site.

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

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



**Company Statement of Financial Position**  
**(Registered number: 11143400)**  
**As at 31 December 2020**

	Notes	31 December 2020 US\$'000	31 December 2019 US\$'000 (Restated)	31 December 2018 US\$'000 (Restated)
<b>Fixed assets</b>				
Investment in subsidiaries	4	98,991	98,241	95,144
Amounts due from subsidiaries		43,926	41,790	39,820
		<b>142,917</b>	<b>140,031</b>	<b>134,964</b>
<b>Current assets</b>				
Debtors	5	54	187	201
Derivative asset	6	8,586	-	-
Cash and bank balances		1,120	1,654	5,144
		<b>9,760</b>	<b>1,841</b>	<b>5,345</b>
<b>Creditors</b>				
Amounts falling due within one year	9	(153)	(354)	(2,449)
		<b>(153)</b>	<b>(354)</b>	<b>(2,449)</b>
<b>Net current assets</b>		<b>9,607</b>	<b>1,487</b>	<b>2,896</b>
<b>Total assets less current liabilities</b>		<b>152,524</b>	<b>141,518</b>	<b>137,860</b>
<b>Net Assets</b>		<b>152,524</b>	<b>141,518</b>	<b>137,860</b>
<b>Capital and Reserves</b>				
Share capital	7	706	363	335
Share premium account		168,212	147,339	142,026
Merger reserve		14,878	14,878	14,878
Foreign currency translation reserve		4,191	2,270	(956)
Share-based payment reserve		385	167	-
Retained losses		(35,848)	(23,499)	(18,423)
		<b>152,524</b>	<b>141,518</b>	<b>137,860</b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006, to not present the Statement of Comprehensive Income. Capital and reserves include losses for the year of the parent company of US\$ 12,349,000 (2019: US\$ 5,076,000).

The Notes on pages 121 to 128 form an integral part of these Financial Statements.

The Financial Statements on pages 119 to 128 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

  
**Mark Summers, Chief Executive Officer**  
 29 June 2021

## 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
<b>At 1 January 2019, as previously reported</b>	335	142,026	14,878	(956)	-	(1,961)	154,322
Prior year adjustment	-	-	-	-	-	(16,462)	(16,462)
As restated	335	142,026	14,878	(956)	-	(18,423)	137,860
Loss for the year as restated	-	-	-	-	-	(5,076)	(5,076)
Other comprehensive income	-	-	-	3,226	-	-	3,226
<b>Total comprehensive income for the period</b>	-	-	-	<b>3,226</b>	-	<b>(5,076)</b>	<b>(1,850)</b>
Issue of shares	28	5,344	-	-	30	-	5,402
Costs of issuing shares	-	(31)	-	-	-	-	(31)
Share-based payment charges	-	-	-	-	137	-	137
<b>Transactions with owners</b>	<b>28</b>	<b>5,313</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>5,508</b>
<b>At 31 December 2019 as restated</b>	<b>363</b>	<b>147,339</b>	<b>14,878</b>	<b>2,270</b>	<b>167</b>	<b>(23,499)</b>	<b>141,518</b>
Loss for the year	-	-	-	-	-	(12,349)	(12,349)
Other comprehensive income	-	-	-	1,921	-	-	1,921
<b>Total comprehensive income for the year</b>	-	-	-	<b>1,921</b>	-	<b>(12,349)</b>	<b>(10,428)</b>
Issue of shares	343	21,173	-	-	-	-	21,516
Costs of issuing shares	-	(320)	-	-	-	-	(320)
Issue of warrants	-	(10)	-	-	10	-	-
Lapsed warrants	-	30	-	-	(30)	-	-
Share-based payment charges	-	-	-	-	238	-	238
<b>Transactions with owners</b>	<b>343</b>	<b>20,873</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>-</b>	<b>21,434</b>
<b>At 31 December 2020</b>	<b>706</b>	<b>168,212</b>	<b>14,878</b>	<b>4,191</b>	<b>385</b>	<b>(35,848)</b>	<b>152,524</b>

## Notes to the Company Financial Statements for the year ended 31 December 2020

### 1. General information

The Company was incorporated on 10 January 2018 and is a public limited company limited by shares, 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 2020 is US\$ 12,349,000 (2019: US\$ 5,076,000).

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\$ 1.1 million as at 31 December 2020 (2019: US\$ 1.7 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.

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 Original Equity Facility was expected to bring the Company's Elandsfontein project into production in Q4 2021. The Original Equity Facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the remaining US\$ 14 million of the Original Equity Facility. ZAR 77 million is currently locked up by BNP Paribas in the accounts of Kropz Elandsfontein in terms of the BNP Paribas amended facility agreement. The ZAR 77 million ringfenced by BNP will be released pro rata to the drawdowns in terms of the Original Equity Facility. Existing cash holdings, plus the remainder of the undrawn Original Equity Facility of US\$ 14 million and the ZAR 77 million to be released by BNP Paribas, will be utilised towards funding the construction and completion of Elandsfontein in Q4 2021.

## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

During 2020, ZAR 92 million of the ZAR 200 million ringfenced by BNP was 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 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.

In February 2021, Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility"), to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. On 10 March 2021, Kropz received a drawdown of US\$ 2 million on the Further Equity Facility and on 23 June 2021, a further US\$ 2 million draw down. Drawdowns under the Further Equity Facility are at the sole discretion of Kropz. US\$ 1 million remains to be drawn down at the date of this report, with further quarterly drawdowns scheduled for 2021 and early 2022.

The COVID pandemic 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 outbreak. The timing and extent of the impact and recovery from COVID is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The Directors have reviewed the Group's overall cash position and outlook, for a period of at least the next twelve months following the date of signature of this Annual Report and have considered sensitivities and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern of accounting in preparing these financial statements. Certain key contracts associated with operational readiness and commencement of production activities at Elandsfontein are yet to be finalised. Current estimates are based on ongoing negotiations and proposals received from third party contractors. Failure to enter into contracts, based on these negotiated terms and expected timeframes, could negatively impact commissioning and create an additional funding requirement. Additionally, at the date of these financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause cost overruns that would require additional funding through the raising of debt or equity. As announced on RNS on 25 May 2021, there is a funding shortfall in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to the strengthening of the ZAR against the US\$ and further funds would be required. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available when needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

## **Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)**

### **(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.

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.

### **(g) Derivative assets**

Derivatives that are embedded in a host contract are accounted for separately as derivatives if they are not closely related to the host contract, unless the hybrid (combined) instrument is measured at fair value with changes in fair value recognised directly in the income statement.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

A derivative is a financial instrument that changes in value in response to an underlying price and creates the rights and obligations that usually have the effect of transferring between parties to the instrument one or more of the financial risks inherent in an underlying instrument. A key characteristic of derivatives is that they require little or no initial net investment and will be settled at a future date.

Separable embedded derivatives are measured at fair value with all changes in fair value recognised in the income statement.

## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

### 3. Prior year adjustment

#### *Impairment of fixed asset investments*

As described in Note 2 to the financial statements, fixed asset investments (comprising both investments in ordinary shares and investment in non-redeemable preference shares) are stated at the lower of cost and estimated recoverable amount.

At each reporting date fixed asset investments and loans made to subsidiaries are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Whilst undertaking the impairment test for 2020 an error was identified in the previous impairment test methodology in prior periods, whereby the non-redeemable preference shares had been compared to available dividend future cash flows of the Elandsfontein mine whereas the terms of the instrument restrict the returns to a 3.15% per annum preferred dividend for a maximum of 14 years with no other distributions.

The Directors have carried out an impairment test on the value of the fixed asset investments in subsidiaries separately for the investments in ordinary shares and the non-redeemable preference shares and have concluded that an impairment provision of US\$ 41,887,000 is required as at 31 December 2020 (2019: US\$ 21,132,000) in respect of the non-redeemable preference shares and accrued dividends to write down the investments to their estimated recoverable amount. The estimated recoverable amount of the non-redeemable preference shares and accrued dividends in Kropz Elandsfontein was determined based on the present value of future anticipated dividends using the preference dividend rate of 3.15% per annum and a discount rate of 7.71% per annum.

This test indicated an impairment provision in respect of the Company's investment in Kropz Elandsfontein was necessary for the year ended 31 December 2020 but also for each of the two years ended 31 December 2019 and 31 December 2018. As a result, the Company has recognised an impairment provision of US\$ 16,462,000 at the beginning of the earliest period presented (1 January 2019) and a further US\$ 4,670,000 as at 31 December 2019. Accordingly the prior periods have been restated. An impairment charge of US\$ 20,755,000 has been recognised as an expense in the year ended 31 December 2020.

Additionally, an error was identified in that at 31 December 2019 the accrued contractual dividends arising under the non-redeemable preference share were classified as current receivables whereas the anticipated receipts were due in greater than one year. Accordingly the receivable has been reclassified to investments and then included in the impairment test above.

The effects of the adjustments are shown in the following tables:

## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

### Impact on adjustment on the Company's statement of financial position

	As at 31 December 2019 US\$'000 (As previously stated)	Prior year adjustment US\$'000	As at 31 December 2019 US\$'000 (As re- stated)
<b>Fixed asset investments</b>			
Investment in subsidiaries	117,709	(19,468)	98,241
	<b>117,709</b>	<b>(19,468)</b>	<b>98,241</b>
<b>Current assets</b>			
Debtors	1,851	(1,664)	187
	<b>1,851</b>	<b>(1,664)</b>	<b>187</b>
<b>Net Assets</b>	<b>162,650</b>	<b>(21,132)</b>	<b>141,518</b>
<b>Capital and reserves</b>			
Share capital	363	-	363
Share premium account	147,339	-	147,339
Merger reserve	14,878	-	14,878
Foreign currency translation reserve	2,270	-	2,270
Share-based payment reserve	167	-	167
Retained losses	(2,367)	(21,132)	(23,499)
	<b>162,650</b>	<b>(21,132)</b>	<b>141,518</b>

### Impact on adjustment on the Company's income statement

	Year ended 31 December 2019 US\$'000 (As previously stated)	Prior year adjustment US\$'000	Year ended 31 December 2019 US\$'000 (As re- stated)
<b>Net result for the year</b>			
Loss for the year	(406)	(4,670)	(5,076)
	<b>(406)</b>	<b>(4,670)</b>	<b>(5,076)</b>

## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

### 4. Investment in subsidiaries

	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Cost / recoverable amount</b>		
At beginning of the year (as previously stated)	117,709	111,606
Prior year impairment provision	(19,468)	(16,462)
At beginning of year as restated	98,241	95,144
Acquisition of non-controlling interests	-	419
Purchase of non-redeemable preference shares in Kropz Elandsfontein	20,000	5,689
Impairment of non-redeemable preference shares in Kropz Elandsfontein	(22,420)	(4,670)
Preference dividends due from subsidiary – Kropz Elandsfontein	3,102	1,664
Share-based payment transaction with subsidiaries	68	-
Impairment of investment in First Gear	-	(5)
<b>At 31 December (as restated)</b>	<b>98,991</b>	<b>98,241</b>

Details of the Company's subsidiaries as at 31 December 2020 are set out in Note 3 to the Consolidated Financial Statements.

The Company granted a total of 6,700,000 share options to its employees during the year ended 31 December 2020. The Company has an obligation to settle the transactions with the subsidiary's employees by providing its own equity instruments and has measured its obligation in accordance with the requirements applicable to equity-settled share-based payment transactions through the recognition of an increase to the cost of investment in each subsidiary.

The Company invested, in aggregate, US\$ 52 million (2019: US\$ 32 million) in non-redeemable preference shares of Kropz Elandsfontein. The non-redeemable preference shares principal is not repayable but bear interest at the 1 month US Libor plus 3%, compounded monthly in arrears, and is repayable the earlier of 14 December 2022, or the first date that Kropz Elandsfontein is permitted to pay a distribution pursuant to the provisions of the BNP facility agreement.

### 5. Debtors

	31 December 2020 US\$'000	31 December 2019 US\$'000 (As re-stated)
VAT recoverable	15	16
Other debtors	39	171
<b>Net Book Value</b>	<b>54</b>	<b>187</b>

### 6. Derivative assets

Details of the Company's derivative assets are set out in Note 10 to the Consolidated Financial Statements.



## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

### 7. 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.

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

### 8. 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).

### 9. Creditors: amounts falling due within one year

	31 December 2020 US\$'000	31 December 2019 US\$'000
Trade creditors	37	95
Taxes and social security	12	19
Corporation taxes	-	122
Other creditors and accruals	104	118
<b>Net Book Value</b>	<b>153</b>	<b>354</b>

### 10. 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.

## Notes to the Company Financial Statements for the year ended 31 December 2020 (continued)

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

	31 December 2020 US\$'000	31 December 2019 US\$'000
Opening balance	41,790	39,820
Loans advanced	2,141	2,276
Impairment provision – First Gear	(5)	(306)
<b>Net Book Value</b>	<b>43,926</b>	<b>41,790</b>

### 11. Subsequent events

Disclosures in relation to events after 31 December 2020 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, Chief Executive 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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### **Independent auditors**

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## **Company information (continued)**

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