

**KROPZ PLC**

Registered number 11143400

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2019**

<b>Contents</b>	<b>Page Number</b>
Financial and Operational Highlights	3 - 5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Comprehensive Income	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10 - 20
Company Information	21 - 22

## Unaudited Half Year Results for the Six Months ended 30 June 2019

Kropz plc (AIM: KRPZ), an emerging African explorer and developer of plant nutrient feed minerals, announces its results for the six months ended 30 June 2019.

This financial report is available online at the Company's website [www.kropz.com](http://www.kropz.com).

### Key financial indicators

- Impairment in the value of property, plant, equipment, mine development costs and exploration assets at Kropz Elandsfontein (Pty) Ltd ("Elandsfontein") of US\$49 million;
- Cash at 30 June 2019 of US\$17 million (as at 31 December 2018 US\$30 million); and
- Trade and other payables at 30 June 2019 of US\$3 million (as at 31 December 2018 US\$12 million).

### Key corporate and operational developments during the period

#### Corporate

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

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

#### Elandsfontein

During the period under review, Elandsfontein continued to work with Mintek, South Africa, and Eriez, USA, to undertake confirmatory pilot scale and other processing test work ("Test Work") to confirm the final processing design at Elandsfontein. DRA Mineral Projects ("DRA") was appointed to complete the engineering design.

Indications at 30 June 2019 were that the commissioning of the Elandsfontein plant was expected to be delayed at an anticipated additional cost of approximately US\$20 million (inclusive of working capital costs, debt repayments and capital expenditure).

#### Hinda

The completed DRA Option Study has confirmed the potential to export circa 1.8Mtpa phosphate rock from the Hinda project out of the port of Pointe-Noire, as well as the potential viability of both the starter and optimised projects.

The Port Authority at Pointe-Noire have agreed to allocate a port site of increased dimensions to the Hinda project.

The ratification process for the signed Hinda Mining Investment Agreement ("MIA") has been advanced to the level of the Republic of Congo ("RoC") Supreme Court.

#### Aflao

A second phase of Mobile Metal Iron sampling was initiated in April 2019 at Aflao in Ghana. Samples were taken from the most prospective target area on a 100m by 500m grid. The samples were sent to SGS in Toronto for multi element analyses.

## **Key corporate and operational developments post period end**

### **Corporate**

On 27 June 2019, Kropz announced that it had raised US\$4.34 million (£3.41 million), before expenses, by way of a placing of 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 per ordinary share, increasing the issued share capital to 283,406,307 ordinary shares. The net proceeds of the placing will be used to provide additional working capital and more specifically to further advance the programme of works being carried out at its Hinda and Aflao projects. The placing shares were issued and admitted to trading on AIM on 3 July 2019.

### **Elandsfontein**

As announced on 12 September 2019 in an Elandsfontein update, the Test Work has indicated that a reverse flotation modification to the current circuit will produce a saleable product at lower grade than originally targeted. As a direct consequence of the prevailing depressed phosphate rock prices, an alternate process modification is being considered to deliver the required process efficiencies at viable economic returns. Further Test Work will be required to at least the end of 2019 to confirm this.

As a result of the above delay in recommissioning and current depressed phosphate rock prices, an impairment of US\$ 49 million was made to the carrying value of property, plant, equipment, mine development costs and exploration assets in Elandsfontein.

The appeal against Elandsfontein's existing and valid integrated water use licence was set to be heard by the Water Tribunal on 11 September 2019, however the appellant requested that this be postponed. At the date of this report no date has been fixed for the hearing.

### **Hinda**

On the Hinda project, four engineering companies have been approached, all of whom have expressed interest in participating in the tender process for the updated definitive feasibility study for the optimised project.

An amended Environmental Social Impact Assessment will be required in the RoC as a result of the addition of a gas pipeline and the inclusion of a dryer on site.

### **Aflao**

Radiometric and drone surveys were also completed within the Aflao license area, with the results of all three stages of survey work being reviewed and compiled.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) no 596/2014.

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**About Kropz plc**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

		30 June 2019 Unaudited US\$'000	31 December 2018 Audited US\$'000
<b>Non-current assets</b>			
Property, plant, equipment and mine development	6	56,284	101,826
Exploration assets	7	38,398	40,772
Other financial assets		1,661	1,623
		<u>96,343</u>	<u>144,221</u>
<b>Current assets</b>			
Inventories		880	861
Amounts due from a director	17	28	33
Trade and other receivables		1,135	331
Cash and cash equivalents		16,561	30,457
		<u>18,604</u>	<u>31,682</u>
<b>TOTAL ASSETS</b>		<b><u>114,947</u></b>	<b><u>175,903</u></b>
<b>Current liabilities</b>			
Trade and other payables		3,156	11,956
Other financial liabilities	11	530	518
Current taxation		51	-
		<u>3,737</u>	<u>12,474</u>
<b>Non-current liabilities</b>			
Shareholder loans	10	14,779	14,386
Other financial liabilities	11	29,537	29,551
Tax payable		246	66
Provisions		4,024	3,931
		<u>48,586</u>	<u>47,934</u>
<b>TOTAL LIABILITIES</b>		<b><u>52,323</u></b>	<b><u>60,408</u></b>
<b>NET ASSETS</b>		<b><u>62,624</u></b>	<b><u>115,495</u></b>
<b>Shareholders' equity</b>			
Share capital	8	363	335
Share premium	8	143,127	142,026
Merger reserve		(20,523)	(20,523)
Accumulated losses		(46,819)	(6,255)
Foreign exchange translation reserve		(180)	(1,226)
		<u>75,968</u>	<u>114,357</u>
Total equity attributable to the owners of the Company		75,968	114,357
Non-controlling interests		<u>(13,344)</u>	<u>1,138</u>
		<b><u>62,624</u></b>	<b><u>115,495</u></b>

The accompanying notes form part of the Condensed Consolidated Financial Statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Notes	Six months ended 30 June 2019 Unaudited US\$'000	Period from 10 January to 31 December 2018 Audited US\$'000
Revenue		-	-
Other income		3	2
Operating expenses		(4,475)	(5,674)
<b>Operating loss</b>		(4,472)	(5,672)
Finance income	12	882	382
Finance expense	13	(2,186)	(2,321)
Impairment losses	14	(48,900)	-
<b>Loss before taxation</b>		<b>(54,676)</b>	<b>(7,611)</b>
Taxation	15	(246)	(66)
<b>Loss after taxation</b>		<b>(54,922)</b>	<b>(7,677)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(40,573)	(6,255)
Non-controlling interests		(14,349)	(1,422)
		<b>(54,922)</b>	<b>(7,677)</b>
<b>Loss for the period</b>		(54,922)	(7,677)
<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		70	(956)
- Exchange differences on translating foreign operations		1,268	(270)
<b>Total comprehensive loss</b>		<b>(53,584)</b>	<b>(8,903)</b>
Attributable to:			
Owners of the Company		(39,527)	(7,481)
Non-controlling interests		(14,057)	(1,422)
		<b>(53,584)</b>	<b>(8,903)</b>
<b>Earnings per share attributable to owners of the Company:</b>			
Basic and diluted (US cents)	16	(15.39)	(25.45)

The accompanying notes form part of the Condensed Consolidated Financial Statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Total attributable to owners US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
<b>Balance at 10 January 2018</b>	-	-	-	-	-	-	-	-
Total comprehensive loss the period	-	-	-	(1,226)	(6,255)	(7,481)	(1,422)	(8,903)
Issue of shares	335	143,297	14,878	-	-	158,510	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	(35,401)	-	-	(35,401)	2,560	(32,841)
<b>Transactions with owners</b>	<b>335</b>	<b>142,026</b>	<b>(20,523)</b>	<b>-</b>	<b>-</b>	<b>121,838</b>	<b>2,560</b>	<b>124,398</b>
<b>Balance at 31 December 2018</b>	<b>335</b>	<b>142,026</b>	<b>(20,523)</b>	<b>(1,226)</b>	<b>(6,255)</b>	<b>114,357</b>	<b>1,138</b>	<b>115,495</b>
Total comprehensive profit / (loss) for the period	-	-	-	1,046	(40,573)	(39,527)	(14,057)	(53,584)
Issue of shares	28	1,101	-	-	-	1,129	-	1,129
Acquisition of non-controlling interests	-	-	-	-	9	9	(425)	(416)
Share based payment charges	-	-	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>28</b>	<b>1,101</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>1,138</b>	<b>(425)</b>	<b>713</b>
<b>Balance at 30 June 2019</b>	<b>363</b>	<b>143,127</b>	<b>(20,523)</b>	<b>(180)</b>	<b>(46,819)</b>	<b>75,968</b>	<b>(13,344)</b>	<b>62,624</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>Six months ended 30 June 2019 Unaudited US\$'000</b>	<b>Period from 10 January to 31 December 2018 Audited US\$'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(54,676)	(7,611)
Adjustments for:		
Depreciation of property, plant and equipment	463	457
Impairment losses	48,900	-
Finance income	(214)	(55)
Finance costs	2,186	771
Fair value gains on game animals	-	32
<b>Operating cash flows before working capital changes</b>	<b>(3,341)</b>	<b>(6,406)</b>
Increase in trade and other receivables	(814)	(240)
Decrease in inventories	1	-
(Decrease) / increase in payables	(8,386)	1,989
Decrease in amounts due from / (to) related parties	5	(47)
Increase in provisions	-	534
Foreign currency exchange differences	24	(2,611)
	(12,511)	(6,781)
Income taxes paid	(17)	-
<b>Net cash flows used in operating activities</b>	<b>(12,528)</b>	<b>(6,781)</b>
<b>Cash flows used in investing activities</b>		
Purchase of property, plant and equipment	(5)	(505)
Exploration and evaluation expenditure	(49)	-
Decrease in loans receivable	-	293
Acquisition of subsidiaries, net of cash acquired	-	303
Finance income received	214	54
<b>Net cash flows from investing activities</b>	<b>160</b>	<b>145</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(2,186)	(771)
Shareholder loan received	-	696
Other financial liabilities	(708)	867
Issue of ordinary share capital net of share issue costs	710	36,364
<b>Net cash flows (used by) / from financing activities</b>	<b>(2,184)</b>	<b>37,156</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(14,552)</b>	<b>30,520</b>
Cash and cash equivalents at beginning of the period	30,457	-
Foreign currency exchange gains / (losses) on cash	656	(63)
<b>Cash and cash equivalents at end of the period</b>	<b>16,561</b>	<b>30,457</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

### **1. General information**

Kropz plc (the “Company”) and its subsidiaries (together, the “Group”) is an emerging African explorer and developer of plant nutrient feed phosphate projects in South Africa and the Republic of Congo (“ RoC”) and exploration assets in Ghana. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company was incorporated on 10 January 2018 and is a public limited company, with its ordinary shares admitted to the AIM Market of the London Stock Exchange on 30 November 2018 trading under the symbol, "KRPZ". The Company is domiciled in England and incorporated and registered in England and Wales. The address of its registered office is Suite 4F Easistore Building, Longfield Road, North Farm Estate, Tunbridge Wells TN2 3EY. 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 Ghana, South Africa and the RoC.

### **2. Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the accounting policies of the consolidated financial statements for the period ended 31 December 2018. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2018 annual report. The statutory financial statements for the period ended 31 December 2018 were prepared under IFRS and IFRIC interpretations as adopted by the European Union and in accordance with the requirements of the Companies Act 2006. They have been filed with the Registrar of Companies. The auditors reported on those financial statements; their Audit Report was unqualified but included a material uncertainty related to going concern.

The interim 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. They are presented in United States Dollars, the presentation currency of the Company and figures have been rounded to the nearest thousand.

The interim financial information is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006.

The interim financial information was approved and authorised for issue by the Board of Directors on 25 September 2019.

### **3. Going concern**

Cash and cash equivalents totalled US\$16.5 million as at 30 June 2019, of which US\$15.8 million is committed to Kropz Elandsfontein. The Group has no current source of operating revenue and is therefore dependent on existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

In July 2019, the Company raised US\$4.34 million (£3.41 million) before expenses by way of a placing of ordinary shares to enable the Group to continue to fund its Hinda and Aflao exploration and development programme and fulfil its working capital requirements.

The directors have prepared a cash flow forecast which indicates that the Group will have sufficient liquidity to meet its forecast working capital requirements for at least 12 months from the date of this Interim Report, primarily being corporate costs and costs related to the Aflao and Hinda projects in order

for the Group to meet its targeted objectives for these projects and cost of Elandsfontein test work currently underway.

Additional funding will be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, which are currently expected to require additional funding of approximately US\$20 million with various options being considered by the Board on how and when best to source this additional funding.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the operational and financial plans in place are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due for at least 12 months from the date of approval of these interim financial statements. Consequently, the Directors have concluded that it is appropriate to prepare the Group's Interim Consolidated Financial Statements on a going concern basis.

#### **4. Significant accounting policies**

Other than as noted below, the Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation of uncertainties in its interim consolidated financial statements as in its audited financial statements for the period ended 31 December 2018, which have been prepared in accordance with IFRS as adopted for use by the European Union.

These accounting policies will be adopted in the Group's full financial statements for the year ending 31 December 2019.

##### ***Changes in accounting policy***

##### **IFRS 16**

The Group has adopted IFRS 16 which became effective on 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

##### **Impact of adoption**

The adoption of the standard did not have any impact on the Group.

#### **5. Segment information**

##### **Operating segments**

Up to the date of approval of the financial information for the period ended 30 June 2019, the Board of Directors considered that the Group had one operating segment, being that of phosphate mining. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

##### **Geographical segments**

Since the acquisition of First Gear Exploration Limited in June 2018, and the acquisitions of Kropz SA (Pty) Limited, Kropz Elandsfontein (Pty) Ltd, Elandsfontein Land Holdings (Pty) Ltd and Cominco Resources Limited in November 2018, the Group has operated in three principal geographical areas – South Africa, Ghana and the RoC.

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

	<b>South Africa US\$'000</b>	<b>Ghana US\$'000</b>	<b>RoC US\$'000</b>	<b>Group US\$'000</b>
<b>30 June 2019</b>				
Total non-current assets	56,536	62	39,745	<b>96,343</b>
	<b>South Africa US\$'000</b>	<b>Ghana US\$'000</b>	<b>RoC US\$'000</b>	<b>Group US\$'000</b>
<b>31 December 2018</b>				
Total non-current assets	103,441	62	40,718	<b>144,221</b>

#### 6. Tangible assets – Property, plant, equipment and mine development

	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2018</b>	<b>31 Dec 2018</b>
	<b>Cost US\$'000</b>	<b>Accumulated Depreciation and impairment US\$'000</b>	<b>Carrying value US\$'000</b>	<b>Cost US\$'000</b>	<b>Accumulated Depreciation US\$'000</b>	<b>Carrying value US\$'000</b>
<b>Buildings and infrastructure</b>						
Land	2,157	-	2,157	2,108	-	2,108
Buildings	11,484	(5,519)	5,965	11,217	(7)	11,210
Capitalised road costs	9,209	(5,528)	3,681	8,996	(1,499)	7,497
Capitalised electrical sub-station costs	3,995	(2,352)	1,643	3,903	(564)	3,339
<b>Machinery, plant &amp; equipment</b>						
Critical spare parts	1,212	-	1,212	1,185	-	1,185
Plant and machinery	55,615	(25,952)	29,663	54,329	(67)	54,262
Furniture & fittings	45	(41)	4	44	(40)	4
Geological equipment	49	(49)	-	48	(47)	1
Office equipment	36	(10)	26	35	(8)	27
Other fixed assets	1	(1)	-	1	-	1
Motor vehicles	133	(121)	12	130	(106)	24
Computer equipment	44	(37)	7	38	(33)	5
<b>Mine development</b>	19,167	(9,206)	9,961	18,724	-	18,724
<b>Stripping activity costs</b>	3,264	(1,568)	1,696	3,188	-	3,188
<b>Game animals</b>	257	-	257	251	-	251
<b>Total</b>	<b>106,668</b>	<b>(50,384)</b>	<b>56,284</b>	<b>104,197</b>	<b>(2,371)</b>	<b>101,826</b>

Reconciliation of property, plant, equipment and mine development – Period ended 30 June 2019

	Opening Balance US\$'000	Additions US\$'000	Impairment provision US\$'000	Depreciation charge US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
<b>Buildings and infrastructure</b>						
Land	2,108	-	-	-	49	<b>2,157</b>
Buildings	11,210	-	(5,511)	(1)	267	<b>5,965</b>
Capitalised road costs	7,497	-	(3,686)	(308)	178	<b>3,681</b>
Capitalised electrical sub-station costs	3,339	-	(1,642)	(133)	79	<b>1,643</b>
<b>Machinery, plant &amp; equipment</b>						
Critical spare parts	1,185	-	-	-	27	<b>1,212</b>
Plant and machinery	54,262	-	(25,884)	(2)	1,287	<b>29,663</b>
Furniture & fittings	4	-	-	-	-	<b>4</b>
Geological equipment	1	-	-	(1)	-	-
Office equipment	27	-	-	(2)	1	<b>26</b>
Other fixed assets	1	-	-	-	(1)	-
Motor vehicles	24	-	-	(12)	-	<b>12</b>
Computer equipment	5	5	-	(4)	1	<b>7</b>
<b>Mine development</b>	18,724	-	(9,206)	-	443	<b>9,961</b>
<b>Stripping activity costs</b>	3,188	-	(1,568)	-	76	<b>1,696</b>
<b>Game animals</b>	251	-	-	-	6	<b>257</b>
<b>Total</b>	<b>101,826</b>	<b>5</b>	<b>(47,497)</b>	<b>(463)</b>	<b>2,413</b>	<b>56,284</b>

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

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

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for USD30 million. BNP Paribas has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings as well as the share investments in those respective companies owned by Kropz SA.

**7. Intangible assets - exploration and evaluation costs**

	30 June 2019	30 June 2019	30 June 2019	31 Dec 2018	31 Dec 2018	31 Dec 2018
	Cost US\$'000	Amort- isation and impairment US\$'000	Carrying value US\$'000	Cost US\$'000	Amort- isation US\$'000	Carrying value US\$'000
Capitalised costs	39,801	(1,403)	38,398	40,772	-	40,772

## Reconciliation of exploration assets

		Opening Balance US\$'000	Additions US\$'000	Impairment provision US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
<b>Period ended 30 June 2019</b>						
Capitalised costs		40,772	49	(1,403)	(1,020)	<b>38,398</b>
<b>Period ended 31 December 2018</b>						
	Opening Balance US\$'000	Additions US\$'000	Amounts transferred on acquisition of subsidiaries US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000	
Capitalised costs	-	42,083	(1,267)	(44)	<b>40,772</b>	

## 8. Share capital

Shares were issued during the period as set out below:

	Number of shares	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Total US\$'000
On incorporation	1	-	-	-	-
Issued to Kropz International S.a.r.l. ("Kropz International")	49,999	-	70	-	70
Subdivision of shares	450,000	-	-	-	-
Issued to Kropz International	163,221	-	117	-	117
Issued to Kropz International	1	-	-	-	-
Issued to Kropz International	93,260,034	120	69,320	3,809	73,249
Issued to ARC Fund	5,499,124	7	2,811	-	2,818
Capitalisation of debt	9,875,698	13	5,049	-	5,062
Conversion of Loan Note	6,902,148	9	2,520	-	2,529
Offer for Cominco	55,669,176	71	28,461	-	28,532
Placing and Subscription shares	68,359,376	88	34,949	-	35,037
Further acceptances of Offer for Cominco	21,652,475	27	-	11,069	11,096
Cost of issuing shares	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	-	(35,401)	(35,401)
<b>At 31 December 2018</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	18	692	-	710
Issue of shares on compulsory redemption of Cominco minorities	803,315	10	409	-	419
<b>At 30 June 2019</b>	<b>264,041,648</b>	<b>363</b>	<b>143,127</b>	<b>(20,523)</b>	<b>122,967</b>

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

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

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

Subsequent to 30 June 2019, the Company issued further shares as follows:

On 3 July 2019, the Company raised US\$4.34 million (£3.41 million) before expenses by way of a placing (the "Placing") for 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 pence per ordinary share (the "Placing Shares").

The net proceeds of the Placing will be used to provide additional working capital and more specifically to further advance the programme of works being carried out at its Hinda and Aflao projects.

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

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

## **Share based payment arrangements**

### *Equity warrants*

The Company issued 1,116,544 equity warrants over ordinary shares in the Company during the period, as more fully described above (period ended 31 December 2018: 83,456 equity warrants). No equity warrants have been exercised or forfeited. Accordingly, 1,200,000 equity warrants remained in place at 30 June 2019 (31 December 2018: 83,456 equity warrants).

The warrants were valued at the period end using a Black-Scholes valuation model. The charge to profit and loss during the year was US\$nil due to the immateriality of the value of the warrants for the period ended 30 June 2019 (31 December 2018: US\$nil).



## 9. Key management personnel remuneration

The remuneration for each Director and Key Management Personnel of the Group during the period was as follows:

Period ended 30 June 2019	Short-Term Benefits			Total US\$
	Base Salary US\$	Bonus US\$	Options US\$	
<b>Executive directors</b>				
Ian Harebottle	205,326	-	-	205,326
Mark Summers	139,011	-	-	139,011
	<b>344,337</b>	-	-	<b>344,337</b>
<b>Non-executive directors</b>				
Lord Robin Renwick	29,649	-	-	29,649
Linda Beal	24,121	-	-	24,121
Mike Daigle	31,677	-	-	31,677
Machiel Reyneke	-	-	-	-
Michael Nunn	-	-	-	-
	<b>85,447</b>	-	-	<b>85,447</b>
<b>Total directors' remuneration</b>				
	<b>429,784</b>	-	-	<b>429,784</b>
<b>Executives</b>				
Michelle Lawrence	83,749	-	-	83,749
	<b>83,749</b>	-	-	<b>83,749</b>

  

Period ended 31 December 2018	Short-Term Benefits			Total US\$
	Base Salary US\$	Bonus US\$	Options US\$	
<b>Executive directors</b>				
Ian Harebottle	341,589	-	-	341,589
Mark Summers	39,035	10,430	-	49,465
	<b>380,624</b>	<b>10,430</b>	-	<b>391,054</b>
<b>Non-executive directors</b>				
Lord Robin Renwick	7,961	-	-	7,961
Linda Beal	3,185	-	-	3,185
Mike Daigle	3,185	-	-	3,185
Machiel Reyneke	-	-	-	-
Michael Nunn	-	-	-	-
	<b>14,331</b>	-	-	<b>14,331</b>
<b>Total directors' remuneration</b>				
	<b>394,955</b>	<b>10,430</b>	-	<b>405,385</b>
<b>Executives</b>				
Michelle Lawrence	22,273	10,430	-	32,703
Nicola Taylor	42,043	-	-	42,043
	<b>64,316</b>	<b>10,430</b>	-	<b>74,746</b>

The following ESOP options, which were issued at the time of admission to AIM as share-based payment arrangements, were outstanding at the period ended 30 June 2019:

<b>Name</b>	<b>Expiry Date</b>	<b>Exercise Price (pence)</b>	<b>Number of Options</b>
Ian Harebottle	28 November 2028	0.1	3,362,609
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			<b>8,190,355</b>

#### 10. Shareholder loans payable

	<b>30 June 2019 US\$'000</b>	<b>31 December 2018 US\$'000</b>
<b>ARC Fund</b>	<b>14,779</b>	<b>14,386</b>

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

#### 11. Other financial liabilities

	<b>30 June 2019 US\$'000</b>	<b>31 December 2018 US\$'000</b>
BNP Paribas	29,537	29,551
Greenheart Foundation	530	517
Other loans	-	1
<b>Total</b>	<b>30,067</b>	<b>30,069</b>
Non-current financial liabilities	29,537	29,551
Current financial liabilities	530	518
<b>Total</b>	<b>30,067</b>	<b>30,069</b>

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for USD30 million. BNP Paribas has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings as well as the share investments in those respective companies owned by Kropz SA.

#### 12. Finance income

	<b>Six months ended 30 June 2019 US\$'000</b>	<b>Period ended 31 December 2018 US\$'000</b>
Interest income	214	382
Foreign exchange gains	668	-
<b>Total</b>	<b>882</b>	<b>382</b>

#### 13. Finance expense

	<b>Six months ended 30 June 2019 US\$'000</b>	<b>Period ended 31 December 2018 US\$'000</b>
Shareholder loans	395	409
Foreign exchange losses	-	1,555
Bank debt	1,791	357
<b>Total</b>	<b>2,186</b>	<b>2,321</b>

#### 14. Impairment losses

As announced on 12 September 2019 in an Elandsfontein update, Test Work confirmed that a reverse flotation modification to the current circuit would produce a saleable product at lower grade than originally targeted. As a direct consequence of the prevailing depressed phosphate rock prices, an alternate process modification is being considered to deliver the required process efficiencies at viable economic returns and further test work will be required to at least the end of 2019 to confirm this.

As a result of the above delay in recommissioning and current depressed phosphate rock prices, an impairment of US\$49 million was made to the carrying value of property, plant, equipment, mine development costs and exploration assets in Elandsfontein.

The impairment was allocated as follows:

	<b>US\$'000</b>
Property, plant, equipment and mine development assets	47,497
Exploration assets	1,403
<b>Total</b>	<b><u>48,900</u></b>

#### 15. Taxation

<b>Major components of tax charge</b>	<b>Six months ended 30 June 2019 US\$'000</b>	<b>Period ended 31 December 2018 US\$'000</b>
<b>Deferred</b>		
Originating and reversing temporary differences	-	-
<b>Current tax</b>		
UK tax in respect of current period	246	-
Local income tax recognised in respect of prior periods	-	66
<b>Total</b>	<b><u>246</u></b>	<b><u>66</u></b>

The Group had losses for tax purposes of approximately US\$33.5 million (US\$27.8 million as at 31 December 2018) which, subject to agreement with taxation authorities, are available to carry forward against future profits.

#### 16. Earnings per share

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

	<b>Six months ended 30 June 2019 US\$'000</b>	<b>Period ended 31 December 2018 US\$'000</b>
Loss attributable to ordinary shareholders	<b>(40,573)</b>	(6,255)
Weighted average number of ordinary shares in Kropz plc	<b>263,591,748</b>	24,575,156
<b>Basic and diluted earnings per share (US cents)</b>	<b><u>(15.39)</u></b>	<b><u>(25.45)</u></b>

## 17. Related party transactions

Details of the Key Management Personnel remuneration and shareholder loans are explained in Notes 9 and 10. In addition, the following transactions were carried out with related parties:

### Related party balances

#### Loan accounts – Owed (to) / by related parties

	<b>30 June 2019 US\$'000</b>	<b>31 December 2018 US\$'000</b>
ARC Fund	(14,779)	(14,386)
M Nunn	28	33
Others	-	(1)
<b>Total</b>	<b>(14,751)</b>	<b>(14,354)</b>

M Nunn repaid the loan owing in September 2019.

### Related party balances

#### Interest paid to / (received from) related parties

	<b>Period ended 30 June 2019 US\$'000</b>	<b>Period ended 31 December 2018 US\$'000</b>
Kropz International	-	345
ARC Fund	395	64
<b>Total</b>	<b>395</b>	<b>409</b>

The ARC Fund, a substantial shareholder, agreed to subscribe for 14,497,848 new ordinary shares in the placing referred to in Note 8, bringing its aggregate holding to 139,600,912 ordinary shares (representing 49.3 per cent. of the so enlarged issued share capital).

Kropz International, a substantial shareholder of Kropz, agreed to subscribe for 3,345,657 new ordinary shares in the placing, bringing its aggregate holding to 54,933,474 ordinary shares (representing 19.4 per cent. of the so enlarged issued share capital).

Consequently, the subscriptions of the ARC Fund and Kropz International are related party transactions pursuant to Rule 13 of the AIM Rules. Mike Nunn, a director of the Company, is the beneficial owner of Kropz International and Machiel Reyneke, a director of the Company, is the representative of the ARC Fund. Accordingly, neither was involved in the approval of the placing by the Company's board.

## 18. Seasonality of the Group's business

There are no seasonal factors which materially affect the operations of any company in the Group.

## 19. Events after the reporting period

Other than the placing in July 2019, described in Note 8, the impairment of the property, plant, equipment, mine development costs and exploration assets in Kropz Elandsfontein (Pty) Ltd as set out in Note 14 and M Nunn repaying the loan owing to the Group as set out in Note 17, there were no other events occurring since 30 June 2019 requiring disclosure herein.

## **Company information**

### **Directors**

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

### **Company secretary**

Mark Robert Summers

### **Company number**

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