

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are resident in the United Kingdom or from another appropriately authorised independent financial adviser if you are resident in a territory outside the United Kingdom. The whole of this document should be read.

If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the Ex-entitlement Date, please immediately forward this document and (if relevant) the Application Form as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded into a Restricted Jurisdiction or transmitted in or into any jurisdiction in violation of local securities laws. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately and refer to the instructions regarding split applications which will be in the Application Form (if relevant).

The maximum amount to be raised under the Open Offer shall be less than €8 million (or an equivalent amount in GBP or USD) in aggregate and the Placing Shares shall only be available to qualified investors for the purposes of the Prospectus Regulation Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Regulation and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, London Stock Exchange, any securities commission or any other authority or regulatory body. In addition this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies. This document has not been approved for issue by any person for the purposes of section 21 of FSMA.

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## **KROPZ PLC**

*(Incorporated in England and Wales under the Companies Act 2006 with registered no. 11143400)*

### **Placing of 4,505,060 New Ordinary Shares at 6.75 pence per share and Proposed Open Offer of up to 51,013,134 New Ordinary Shares at 6.75 pence per share**

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**This document should be read as a whole. Your attention is drawn to Part 1 (*Letter from the Chairman*) of this document and to Part 2 (*Risk Factors*) of this document. The latest time and date for acceptance and payment in full under the Open Offer is 11:00 a.m. on 15 June 2020. The procedure for application and payment under the Open Offer is set out in paragraph 3 of Part 3 (*Terms and Conditions of the Open Offer*) of this document, and, where relevant, in the accompanying Application Form to be sent to Qualifying Non-CREST Shareholders.**

Qualifying non-CREST Shareholders will find an Application Form enclosed with this document. Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of the sale or transfer of Ordinary Shares prior to the date on which the relevant Ordinary Shares are marked “ex” the entitlement by London Stock Exchange. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer. The latest time for application and payment in full under the Open Offer is 11:00 a.m. on 15 June 2020 and the procedure for application and payment is set out in Part 3 (*Terms and Conditions of the Open Offer*) of this document.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that the Open Offer Admission will become effective and that dealings will commence at 8:00 a.m. on 19 June 2020. The New Ordinary Shares will, when issued, rank in full for all dividends and other

distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA acting as competent authority for the purposes of Part V of FSMA). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither London Stock Exchange nor the FCA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the FCA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the FCA.

Grant Thornton UK LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser to Kropz Plc (“the Company” or “Kropz”) in connection with the Placing and the Open Offer. Its responsibility as the Company’s nominated adviser under the AIM Rules for Nominated Advisers is owed solely to London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. Grant Thornton UK LLP is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the Open Offer.

H&P, which is authorised and regulated in the United Kingdom by the FCA, is acting as joint broker, joint global coordinator and financial adviser to the Company in connection with the Placing and the Open Offer. H&P is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document, the Placing or the Open Offer.

Mirabaud, which is authorised and regulated in the United Kingdom by the FCA, is acting as joint broker to the Company in connection with the Placing and the Open Offer. Mirabaud is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the Open Offer.

#### **NOTICE TO OVERSEAS PERSONS**

The distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law or regulation and therefore should not be distributed, forwarded to or transmitted in or into Australia, Canada, Japan, New Zealand, the Republic of Ireland or the United States, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-entitlement Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, the Republic of Ireland or Japan or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries, where to do so would breach any applicable law or regulation. Accordingly, the New Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, New Zealand, the Republic of Ireland or Japan or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, New Zealand, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities

Act) or to any national, resident or citizen of Canada, Australia, New Zealand, the Republic of Ireland or Japan.

In South Africa, this document is being made available only to South African qualifying investors who fall within the ambit of sections 96(1)(a) or (b) of the South African Companies Act. The information contained in this document does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any shares or any other securities and is not an “offer to the public” as contemplated in the South African Companies Act. This document does not, nor does it intend to, constitute a “registered prospectus” or an “advertisement”, as contemplated by the South African Companies Act and no prospectus has been filed with the CIPC in respect of the Offer. As a result, this document does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC.

The information contained in this document constitutes factual information as contemplated in section 1(3)(a) of the FAIS Act and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the New Ordinary Shares or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situation or needs of a prospective investor.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Kropz Plc at 35 Verulam Road, Hitchin, England, SG5 1QE.

## IMPORTANT INFORMATION

The New Ordinary Shares have not been and will not be registered under the Securities Act, or under the applicable securities laws of any state or other jurisdiction of the United States or qualified for distribution under any applicable securities laws in any other restricted jurisdiction. The New Ordinary Shares may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly, within, into or in the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. Subject to certain exceptions, the New Ordinary Shares are being offered and sold only outside the United States in offshore transactions within the meaning of, and in accordance with, the safe harbour from the registration requirements in Regulation S under the Securities Act. There will be no public offer of the New Ordinary Shares in the United States.

The Joint Brokers make no representation or warranty to any offeree or subscriber for the New Ordinary Shares regarding the legality of any investment in the securities by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his, her or its own advisers as to the legal, tax, business, financial and related aspects of a purchase of the New Ordinary Shares. None of the New Ordinary Shares, the Application Form, this document nor any other document connected with the Transaction have been or will be approved or disapproved by the United States Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Application Form or the accuracy or adequacy of this document or any other document connected with the Transaction. Any representation to the contrary is a criminal offence.

Not all Shareholders will be Qualifying Shareholders. Subject to certain exceptions, Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any other Restricted Jurisdiction will not qualify to participate in the Transaction and will not be sent an Application Form or otherwise be permitted to participate in the Transaction. The attention of Overseas Shareholders is drawn to paragraph 6 of Part 3 (*Terms and Conditions of the Open Offer*) of this document.

**The latest time and date for acceptance and payment in full under the Open Offer is 11:00 a.m. on 15 June 2020. The procedure for application and payment for under the Open Offer is set out in Part 3 (*Terms and Conditions of the Open Offer*) of this document, and, where relevant, in the accompanying Application Form.**

### **Presentation of Financial Information**

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent. In this document, references to “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom, references to “dollars” and “US\$” are to the lawful currency of the United States of America, and references to “Euros” and “€” are to a lawful currency of the European Union.

### **No incorporation of website information**

A copy of this document will also be available from the Company’s website, [www.kropz.com](http://www.kropz.com). The contents of the Company’s website or any hyperlinks accessible from the Company’s website do not form part of this document and Shareholders should not rely on them.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the Placing and the Open Offer and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Joint Brokers or their respective associates, directors, officers or advisers.

### **Cautionary note regarding forward-looking statements**

This document includes statements that are, or may be deemed to be, “*forward-looking statements*”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “*believes*”, “*estimates*”, “*forecasts*”, “*plans*”, “*prepares*”, “*anticipates*”, “*projects*”, “*expects*”, “*intends*”, “*may*”, “*will*”, “*seeks*”, “*should*” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s and the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Company’s prospects, growth and strategy. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Company’s results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or development may not be indicative of results or developments in subsequent periods. Any forward-looking statements that the Company makes in this document speak only as of the date of such statement and (other than in accordance with their legal or regulatory obligations) neither the Company, nor the Joint Brokers nor any of their respective associates, directors, officers or advisers undertakes any obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	6 p.m. on 28 May 2020
Announcement of the Placing and the proposed Open Offer	7:00 a.m. on 1 June 2020
Settlement and admission of the Placing Shares	4 June 2020
Existing Ordinary Shares marked “ex” by London Stock Exchange	7:00 a.m. on 1 June 2020
Publication and posting of this document and to Qualifying Non-CREST shareholders only, and the Application Form	1 June 2020
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	8.00 a.m. on 2 June 2020
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4:30 p.m. on 9 June 2020
Latest time and date for depositing Basic Entitlements and/or Excess Entitlements into CREST	3:00 p.m. on 10 June 2020
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3:00 p.m. on 11 June 2020
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)</b>	11:00 a.m. on 15 June 2020
Announcement of result of the Open Offer	17 June 2020
Open Offer Admission and commencement of dealings in the Open Offer Shares on AIM	08:00 a.m. on 19 June 2020
Open Offer Shares credited to CREST members’ accounts	19 June 2020
Despatch of definitive share certificates in certificated form	within 5 business days of the Open Offer Admission

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*Notes:*

- (i) References to times in this document are to London time (unless otherwise stated).
- (ii) If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

## PLACING AND OPEN OFFER STATISTICS

Issue Price for each New Ordinary Shares	6.75 pence
Number of Existing Ordinary Shares	283,406,307
Number of Placing Shares	4,505,060
Number of Ordinary Shares in issue immediately following the Placing Admission	287,911,367
Number of Open Offer Shares	up to 51,013,134
Basis of the Open Offer	9 Open Offer Shares for every 50 Existing Ordinary Shares
Gross proceeds of the Placing	US\$353,595
Gross proceeds of the Open Offer*	up to approximately US\$ 4 million
Gross proceeds of the Placing and Open Offer	up to US\$4,357,533
Estimated net proceeds	US\$4,139,126
Estimated market capitalisation of the Company on the Open Offer Admission at the Issue Price***	US\$26,601,633
Enlarged Share Capital following the Placing and the Open Offer*	up to 338,924,501
Placing Shares as a percentage of the Enlarged Share Capital*	1.3%
Open Offer Shares as a percentage of the Enlarged Share Capital*	up to 15.1%
New Ordinary Shares as a percentage of the Enlarged Share Capital*	up to 16.4%
ISIN of the Existing Ordinary Shares and, following the Open Offer Admission, the New Ordinary Shares	GB00BZ1HLP69
ISIN of the Open Offer Entitlements	GB00BMC5BK31
ISIN of the Excess CREST Open Offer Entitlements	GB00BMC5BL48
Number of Equity Facility Shares**	up to 509,629,630
Enlarged Share Capital following the Placing, the Open Offer and the issue of the Equity Facility Shares	up to 848,554,131

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\* on the assumption that the maximum number of Placing Shares are issued pursuant to the Placing and that the Open Offer is fully subscribed.

\*\* on the assumption of a full drawdown and conversion of the Equity Facility.

\*\*\* based on the Open Offer being fully subscribed.



## DIRECTORS AND ADVISERS

<b>Directors</b>	Lord Renwick of Clifton ( <i>Independent Non-Executive Chairman</i> ) Mark Summers ( <i>Interim Chief Executive Officer and Chief Financial Officer</i> ) Linda Beal ( <i>Independent Non-Executive Director</i> ) Michael Daigle ( <i>Independent Non-Executive Director</i> ) Michael Nunn ( <i>Non-Executive Director</i> ) Machiel Reyneke ( <i>Non-Executive Director</i> )
<b>Registered Office</b>	35 Verulam Road Hitchin Hertfordshire SG5 1QE United Kingdom
<b>Company Website</b>	www.kropz.com
<b>Nominated Adviser</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
<b>Joint Brokers</b>	H&P Advisory Limited 2 Park Street Mayfair London W1K 2HX  Mirabaud Securities Limited 5th Floor 10 Bressenden Place London SW1E 5DH
<b>Legal Advisers to the Company</b>	Memery Crystal LLP 165 Fleet Street London EC4A 2DY
<b>Financial Public Relations</b>	Tavistock Communications Limited 1 Cornhill London EC3V 3ND
<b>Receiving Agent</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Registrar</b>	Link Asset Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

<b>£ and p</b>	United Kingdom pounds sterling and pence respectively, the lawful currency of the United Kingdom
<b>Act</b>	the Companies Act 2006 (as amended)
<b>Admission</b>	the Placing Admission and the Open Offer Admission (as applicable)
<b>Admission Document</b>	the admission document published by the Company on 27 November 2018
<b>Aflao</b>	the Aflao Phosphate Project, in the Ketu South District area of the Volta region of Ghana
<b>AIM</b>	the market of that name operated by London Stock Exchange
<b>AIM Rules</b>	the AIM Rules for Companies published by London Stock Exchange from time to time
<b>Application Form</b>	the application form relating to the Open Offer which accompanies this document (in the case of Qualifying Non-CREST Shareholders only)
<b>ARC Fund or BEE Partner</b>	an en commandite partnership established in South Africa and represented by UBI General Partner Proprietary Limited in its capacity as general partner, a company registered in accordance with the laws of South Africa under registration number 2016/224437/07
<b>Basic Entitlement</b>	the number of Open Offer Shares which Qualifying Shareholders are entitled to subscribe for at the Issue Price <i>pro rata</i> to their holding of Existing Ordinary Shares pursuant to the Open Offer as described in Part 3 ( <i>Terms and Conditions of the Open Offer</i> ) of this document
<b>BEE</b>	the Black Economic Empowerment programme launched by the Government of South Africa which embodies all Codes of Practice gazetted by the Government of South Africa and legislation
<b>Business Day</b>	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England
<b>BNP</b>	BNP Paribas S.A., 37 place du Marche, Saint Honore, Paris, France, provider of \$30million project finance facility to Kropz Elandsfontein, the BNP Facility
<b>BNP Facility</b>	the term loan facility agreement entered into on 13 September 2016 (as amended from time to time) between BNP and Kropz Elandsfontein whereby BNP had agreed to make available to Kropz Elandsfontein a credit facility of up to US\$ 30 million
<b>BNP Facility Amendment Agreement</b>	the conditional amendment and restatement agreement with BNP of the BNP Facility entered into on 28 May 2020
<b>certificated form or in certificated form</b>	an Ordinary Share recorded on a company's share register as being held in certificated form (namely, not in CREST)
<b>CIPC</b>	the Companies and Intellectual Property Commission, established in terms of section 185 of the South African Companies Act
<b>Cominco</b>	Cominco Resources Ltd, a company incorporated in the BVI with registered number 1416753, whose registered office is at Woodbourne Hall, Road Town, Tortola, British Virgin Islands

<b>Cominco S.A.</b>	Cominco S.A, company number RCCM CG/PNR/11 B 2044, of Villa 494, Bloc 16, Quartier Tchikobo, Pointe Noire, Republic of Congo
<b>Company or Kropz</b>	Kropz plc, a company incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11143400
<b>Computershare</b>	Computershare Investor Services PLC, the Company's receiving agent
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations)
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CREST Courier and Sorting Services Manual, Daily Timetable, CREST Application Procedures and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since) as published by Euroclear
<b>CREST member</b>	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual)
<b>CREST member account ID</b>	the identification code or number attached to a member account in CREST
<b>CREST participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations)
<b>CREST participant ID</b>	shall have the meaning given in the CREST Manual issued by Euroclear
<b>CREST payment</b>	shall have the meaning given in the CREST Manual issued by Euroclear
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>CREST sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>CREST sponsored member</b>	a CREST member admitted to CREST as a sponsored member
<b>CRU</b>	CRU Consulting of Chancery House, 53-64 Chancery Lane, London, WC2A 1QS, an independent market analysis group commissioned by the Company to prepare a report on the phosphate market
<b>Directors or Board</b>	the directors of the Company whose names are set out on page 9 of this document, or any duly authorised committee thereof
<b>Elandsfontein Mining Right</b>	the mining right over the Elandsfontein Mining Area granted to Kropz Elandsfontein by the Minister of Mineral Resources
<b>Elandsfontein Project</b>	the Elandsfontein Project, further details of which are set out in Section A of Part 3 ( <i>Terms and Conditions of the Open Offer</i> ) of this document
<b>Enlarged Share Capital</b>	the entire issued share capital of the Company following completion of the Placing and Open Offer, assuming the Open Offer is fully subscribed
<b>Equity Facility</b>	the convertible equity facility dated 13 May 2020 of up to US\$ 40 million between Kropz (as borrower) and ARC Fund (as lender)

<b>EU</b>	the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Excess Application Facility</b>	to the extent that Basic Entitlements to Open Offer Shares are not subscribed for by Qualifying Shareholders in full, such Open Offer Shares will be available to satisfy excess applications, subject to a maximum of 51,013,134 Open Offer Shares in aggregate, as described in Part 3 ( <i>Terms and Conditions of the Open Offer</i> ) of this document
<b>Excess CREST Open Offer Entitlement</b>	in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement to apply for Open Offer Shares in addition to his Basic Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which may be subject to scaling back in accordance with the provisions of this document
<b>Excess Entitlements</b>	the entitlement for Qualifying Shareholders to apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility, as described in Part 3 ( <i>Terms and Conditions of the Open Offer</i> ) of this document
<b>Excess Shares</b>	Open Offer Shares applied for by Qualifying Shareholders in accordance with the Excess Application Facility
<b>Ex-entitlement Date</b>	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 1 June 2020
<b>Existing Ordinary Shares</b>	the 283,406,307 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM (excluding the Placing Shares)
<b>FAIS Act</b>	the South African Financial Advisory and Intermediary Services Act of 2002, as amended
<b>FCA</b>	the UK Financial Conduct Authority
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>General Meeting</b>	the general meeting of the Company held at 11 a.m. on 29 May 2020 at Suite 4F, Easistore Building, Longfield Road, North Farm Estate, Tunbridge Wells TN2 3EY, United Kingdom
<b>Group</b>	Company and its subsidiaries
<b>H&amp;P</b>	Hannam and Partners (Advisory) Limited of 2 Park Street, London W1K 2HX, joint broker to the Company
<b>HDSA</b>	Historically Disadvantaged South Africans
<b>Hinda CPR</b>	the Hinda Competent Person’s Report as prepared by SRK (UK), included in the Admission Document
<b>Hinda Exploitation Licence</b>	the mining exploitation licence granted through Decree number 2015-975 on 7 December 2015
<b>Hinda Project</b>	the Hinda Project, further details of which are set out in paragraph 3, of Part 1 of this document
<b>ISIN</b>	International Securities Identification Number
<b>Issue Price</b>	6.75 pence per Placing Share and per Open Offer Share
<b>Joint Brokers</b>	together, H&P and Mirabaud
<b>Kropz Elandsfontein</b>	Kropz Elandsfontein (Pty) Ltd, a private company registered and incorporated in South Africa with registered number 2010/006791/07

<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Long Stop Date</b>	30 June 2020
<b>Mining Charter</b>	the 2004 Broad-Based Socio-Economic Charter for the South African Mining Industry, as amended in 2010 and in 2018
<b>Mirabaud</b>	Mirabaud Securities Limited, a private company registered in England & Wales with company number 01654710
<b>Money Laundering Regulations</b>	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
<b>New Ordinary Shares</b>	together, the Placing Shares and the Open Offer Shares
<b>Open Offer</b>	the conditional invitation made to Qualifying Shareholders to apply to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part 3 ( <i>Terms and Conditions of the Open Offer</i> ) of this document and, where relevant, in the Application Form
<b>Open Offer Admission</b>	admission of the Open Offer to trading on AIM becoming effective in accordance with the AIM Rules
<b>Open Offer Entitlement</b>	the entitlement of Qualifying Shareholders to subscribe for Open Offer Shares allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer
<b>Open Offer Shares</b>	up to 51,013,134 new Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
<b>Ordinary Shares</b>	ordinary shares of £0.001 each in the capital of the Company
<b>Overseas Shareholders</b>	a Shareholder with a registered address outside the United Kingdom
<b>Placee</b>	the subscribers for the Placing Shares pursuant to the Placing
<b>Placing</b>	the conditional placing of Placing Shares by the Joint Brokers at the Issue Price
<b>Placing Admission</b>	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>Placing Shares</b>	the 4,505,060 New Ordinary Shares to be issued pursuant to the Placing
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and Council of 14 June 2017
<b>Prospectus Regulation Rules</b>	the prospectus regulation rules made by the FCA under section 73A of FSMA
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Existing Ordinary Shares in a CREST account
<b>Qualifying Non-CREST Shareholders</b>	Qualifying Shareholders holding Existing Ordinary Shares in certified form
<b>Qualifying Shareholders</b>	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholder who has a registered address in the United States or any other Restricted Jurisdiction)
<b>Receiving Agents</b>	Computershare Investor Services PLC
<b>Record Date</b>	6.00 p.m. on 28 May 2020 in respect of the entitlements of Qualifying Shareholders under the Open Offer
<b>Regulatory Information Service</b>	has the meaning given in the AIM Rules for Companies

<b>Resolutions</b>	the resolutions passed at the General Meeting, further details of which are set out in the notice of general meeting dated 13 May 2020
<b>Restricted Jurisdiction</b>	each and any of Australia, Canada, Japan, New Zealand, the Republic of Ireland or the United States and any other jurisdiction where the Offer would breach any applicable law or regulations
<b>RMB</b>	FirstRand Bank Limited (acting through its Rand Merchant Bank Division), a public company duly incorporated according to the company laws of South Africa, with registration number 1929/001225/06
<b>Shareholders</b>	holders of Ordinary Shares
<b>South Africa</b>	the Republic of South Africa
<b>SRK (SA)</b>	SRK Consulting (South Africa) Pty Ltd, a private company registered and incorporated in South Africa with registered number, 1995/012890/07, authors of the Elandsfontein South Africa Competent Person's Report
<b>SRK (UK)</b>	SRK Consulting (UK) Limited, a private company registered and incorporated in England and Wales with registered number 01575403, authors of the Hinda Competent Person's Report
<b>Test Work</b>	the metallurgical test work on the Elandsfontein phosphate mine completed by Eriez, Pennsylvania and JESA, Florida
<b>Transaction</b>	the Placing and the Open Offer
<b>UK Bribery Act</b>	the Bribery Act 2010
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>Uncertificated or Uncertificated form</b>	recorded on the relevant register or other record of the Shares or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>US Person</b>	has the meaning given in the United States Securities Act 1933 (as amended)
<b>voting rights</b>	means all voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting of the Shareholders
<b>Water Tribunal</b>	an independent body in South Africa established to hear appeals against directives and decisions made by responsible authorities, catchment management agencies or water management agencies about matters covered by the National Water Act, Act 36 of 199 of South Africa

## GLOSSARY OF TECHNICAL TERMS

The following table provides an explication of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

<b>BPL</b>	bone phosphate of lime equivalent to 2.185 x per cent. P <sub>2</sub> O <sub>5</sub> content
<b>DFS</b>	definitive feasibility study
<b>EMPr</b>	environmental management programme
<b>indicated mineral resource</b>	that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation
<b>inferred mineral resource</b>	that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration
<b>JORC Code</b>	2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council or Australia
<b>km<sup>2</sup></b>	square kilometre
<b>LIBOR</b>	Intercontinental Exchange London Interbank Offered Rate
<b>measured mineral resource</b>	that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource
<b>mineral reserve</b>	the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
<b>mineral resource</b>	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity

and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling

<b>Mt</b>	million tonnes
<b>Mtpa</b>	million tonnes per annum
<b>P<sub>2</sub>O<sub>5</sub></b>	phosphorous pentoxide (phosphate)
<b>probable mineral reserve</b>	the economically mineable part of an Indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proved mineral reserve
<b>probable ore reserve</b>	the economically mineable part of an Indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable ore reserve is lower than that applying to a proved ore reserve
<b>proved mineral reserve</b>	the economically mineable part of a measured mineral resource. A proved mineral reserve implies a high degree of confidence in the modifying factors
<b>proved ore reserve</b>	the economically mineable part of a measured mineral resource. A proved ore reserve implies a high degree of confidence in the modifying factors
<b>tonnes</b>	thousand kilograms
<b>tpa</b>	tonnes per annum
<b>WUL</b>	water use licence



**PART 1**  
**LETTER FROM THE CHAIRMAN**

**KROPZ PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with registered no. 11143400)*

*Directors:*

Lord Renwick of Clifton (*Independent Non-Executive Chairman*)  
Mark Summers (*Interim Chief Executive Officer and Chief Financial Officer*)  
Linda Beal (*Independent Non-Executive Director*)  
Michael Daigle (*Independent Non-Executive Director*)  
Michael Nunn (*Non-Executive Director*)  
Machiel Reyneke (*Non-Executive Director*)

Registered office:

35 Verulam Road  
Hitchin  
England  
SG5 1QE

1 June 2020

Dear Shareholder

**PLACING OF 4,505,060 NEW ORDINARY SHARES AT 6.75 PENCE PER SHARE AND OPEN OFFER  
OF UP TO 51,013,134 NEW ORDINARY SHARES AT 6.75 PENCE PER SHARE**

**1 Introduction**

On 1 June 2020, the Company announced a Placing of 4,505,060 Placing Shares at 6.75 pence each to raise £353,595.

In addition, in order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for an aggregate of up to 51,013,134 Open Offer Shares, to raise up to approximately US\$4,000,000 (before expenses), on the basis of 9 Open Offer Shares for every 50 Existing Ordinary Shares held on the Record Date, at 6.75 pence per share. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares through the Excess Application Facility.

The net proceeds of the Transaction will be used to complete the financing package that is expected to bring the Company's Elandsfontein phosphate project, located in South Africa, into commercial production, advance the updated feasibility study at its Hinda project in the Republic of Congo, and for general working capital purposes for the Group, as described in more detail in paragraph 2 of this Part 1 (*Letter from the Chairman*).

ARC Fund intend to subscribe for 25,481,481 Open Offer Shares (equal to approximately US\$2,000,000) under the Open Offer (subject to a clawback which may reduce their subscription to a minimum of 25,128,164 Open Offer Shares if the Open Offer is fully subscribed).

The Issue Price represents a discount of approximately 15.6 per cent. to the closing mid-market price of 8.00 pence per Existing Ordinary Share on 29 May 2020 (being the latest practicable date prior to the date of this document).

The purpose of this document is to provide you with information about the background to and the reasons for the Placing and the Open Offer, and to explain why the Board considers the Transaction to be in the best interests of the Company and its Shareholders, as a whole. Further information about the Transaction and the Company's current trading and prospects is set out below.

**2 Background to and reasons for the Transaction**

Kropz entered into the Equity Facility on 13 May 2020, which was approved by shareholders at the General Meeting on 29 May 2020. Kropz intends to use the funds raised pursuant to the Equity Facility to bring its Elandsfontein Project, located in South Africa, into production.

Under the terms of the Equity Facility, Kropz's major shareholder, ARC Fund, has committed to provide up to the ZAR equivalent of US\$ 40 million (which cannot exceed ZAR 680 million – conversion rate is subject to a maximum fixed rate of US\$ 1 = 17 ZAR) to the Company which will be converted into a maximum of 509,629,630 New Ordinary Shares. The Equity Facility remains conditional on certain conditions precedent. The First Tranche of US\$ 8 million is expected to take place on or around 10 June 2020. Drawdown will take place quarterly thereafter.

Kropz Elandsfontein has entered into the conditional BNP Facility Amendment Agreement which extends the final repayment date of the BNP Facility to Q3 2024, with eight capital repayments of US\$ 3.75 million per quarter, expected to commence in Q4 2022 with an interest rate of 6.5% plus US LIBOR, up to project completion (expected to be December 2022) and 4.5% plus US LIBOR thereafter, payable quarterly. The BNP Facility is fully drawn. The BNP Facility Amendment Agreement remains conditional on customary conditions precedent, including the approval of the South African Reserve Bank which is expected to be received in June 2020. Upon satisfaction of each of these conditions precedent, Kropz Elandsfontein will receive the necessary waiver of the technical default of the BNP Facility which was announced by the Company on 14 February 2020.

Further to the announcement of 13 May 2020, the latest metallurgical test work on the Elandsfontein Project completed by Eriez, Pennsylvania and JESA, Florida (the "**Test Work**"), has demonstrated a robust processing alternative to the previous flotation circuit.

The Test Work has consistently shown that the processing plant will produce a final saleable concentrate to expected specification of 68 per cent. BPL (approximately 31 per cent. P<sub>2</sub>O<sub>5</sub>) using a flotation configuration of direct followed by reverse flotation. This type of circuit has been successfully employed throughout the phosphate industry, for decades.

Supplementary design work has been completed to advance the front-end engineering, and has identified that additional equipment, infrastructure and modifications to the original plant are needed to cater for the requisite process modifications. The capital costs have been estimated to AACE Class 3 level (accuracy range of -20 per cent. to +30 per cent.).

The further time required for procurement and delivery of long-lead items and associated structural works will impact timing and capital costs to first production. Accordingly, the target date for commercial production at Elandsfontein is now Q4 2021, with a total estimated funding requirement of US\$ 40 million (ZAR 680 million), excluding the US\$ 12 million (ZAR 200 million) already held by Kropz Elandsfontein and including working capital, interest payments and capital expenditure.

In addition to the Elandsfontein Project, Kropz has completed a competitive tender for an updated feasibility study for its 100 per cent. owned Hinda Project in the Republic of Congo (which is expected to be diluted to 90 per cent. through the participation of the government of the Republic of Congo), aligned with the capacity of the existing road and port facilities. The tender award and associated work programme for Hinda are subject to securing additional funding. The feasibility study is expected to be completed six months following tender award, subject to relaxation of the current lockdown restrictions in the relevant countries.

As previously announced, the Company has decided to divest its interests in Aflao and is currently in consultation with Aflao's other shareholders regarding the implementation of this decision, which may include Aflao's other shareholders taking up the Company's interest. The Company will not be providing any further funding towards Aflao.

### **3 Background to the Company**

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

#### ***Elandsfontein Project***

Kropz's flagship operation is the Elandsfontein Project, a near-term producing phosphate asset in South Africa's Western Cape Province, close to export infrastructure and primed to take advantage of a recovery in phosphate prices.

Located in a region that has a history of phosphate mining since the 1960s, the Council for Geoscience regards the Elandsfontein Project to be the largest known sedimentary deposit in South

Africa. The deposit is situated approximately 95km north northwest of Cape Town, within the Saldanha Bay Municipality.

Kropz acquired the land where the Elandsfontein Project is located in August 2010 and has since invested approximately US\$ 120 million on exploration, bulk sampling, feasibility studies and the subsequent construction of a mine, mineral processing facility and associated infrastructure. The Directors believe that Elandsfontein is a robust and substantially de-risked mining project. The box cut has been established and the highly automated processing facility is expected to be completed in Q4 2021, and on commissioning will have a capacity to deliver up to 1Mtpa of 31 per cent. P<sub>2</sub>O<sub>5</sub> phosphate rock concentrate.

Elandsfontein's advantageous location in proximity to the deep-water port of Saldanha Bay enables it to target demand in both the Atlantic and Indian Ocean markets.

### ***Hinda Project***

The Company's medium-term development asset is the Hinda Project in the Republic of Congo. Hinda is believed to be one of the largest undeveloped phosphate reserves in the world, also located in close proximity to export infrastructure in Pointe-Noire. Approximately US\$ 50 million has been spent to date on the Hinda Project Development.

Cominco, through its wholly owned subsidiary, Cominco S.A., currently owns 100 per cent. of the Hinda Project which is expected to be diluted to 90 per cent. through the participation of the Republic of Congo.

The Hinda Project consists of a sedimentary hosted phosphate deposit located approximately 40km northwest of the city of Pointe-Noire and includes the Hinda Exploitation Licence that covers 263.68km<sup>2</sup> of the coastal basin in the Republic of Congo.

The Hinda Project has a substantial JORC compliant mineral resource base totalling 675.8Mt at a grade of 10.0 per cent. P<sub>2</sub>O<sub>5</sub>, with 86 per cent. included in the measured and indicated mineral resource categories.

The Hinda Project is supported by a substantial body of mineral processing test work, conducted as part of, and subsequent to, historical feasibility studies and, according to the Hinda CPR, supports the design input parameters for the beneficiation plant design. The 2015 DFS targeted the production of 4.1Mtpa of phosphate concentrate at a grade of 32 per cent. P<sub>2</sub>O<sub>5</sub>. At the time of reporting the 2015 DFS, based on the technical and economic parameters defined, the unleveraged NPV (assuming a 10 per cent. discount rate) was US\$1.85 billion, with an associated IRR of 38 per cent., based on an average life of mine phosphate rock price of US\$149/t. The required initial capital investment was US\$601.3 million.

The Directors believe that, whilst the 2015 DFS reported a positive economic outcome, in consideration of both current market conditions and the long-term supply/demand position of the phosphate market, an initially smaller scale project targeting initial production between 1.2Mtpa and 1.8Mtpa, can be developed for a significantly lower level of upfront capital investment, compared to the 2015 DFS requirements. The Company has completed a competitive tender for an updated feasibility study for the proposed smaller scale project, and the work programme is expected to commence as soon as funding can be secured.

## **4 Current trading and prospects**

The Elandsfontein Project provides the Company with a near-term route to positive cash flow, as steady state production is expected during 2022. Together with the existing cash holdings in Kropz Elandsfontein of ZAR 200 million, a further investment of approximately US\$ 40 million is required to enter such a state of steady production. The Equity Facility will be utilised entirely for this purpose.

Subject to finance, updating of the Hinda feasibility study will allow the Company to evaluate and progress the development of the Hinda Project in the foreseeable future after completion and recommissioning of the Elandsfontein Project.

## 5 Details of the Placing and Open Offer

### **The Placing**

4,505,060 Placing Shares have been conditionally placed with Placees, comprising existing investors and directors at the Issue Price. The Placing is not being underwritten or conditional on the Open Offer, and the Placing Shares are not subject to a clawback under the Open Offer.

The Issue Price represents a discount of approximately 15.6 per cent. to the closing mid-market price of 8.00 pence per Existing Ordinary Share on 29 May 2020 (being the latest practicable date prior to the date of this document).

The Placing is conditional upon, *inter alia*:-

- (a) the Placing Admission becoming effective not later than 8.00 a.m. on 4 June 2020 or such later time and/or date as the Company and the Joint Brokers may agree, being not later than the Long Stop Date.

The Placing Shares issued pursuant to the Placing will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after their date of issue. For the avoidance of doubt, the Placing Shares issued pursuant to the Placing will not be eligible to participate in the Open Offer.

### **The Open Offer**

The Directors recognise the importance of pre-emption rights to Shareholders and, consequently, invite Qualifying Shareholders to participate in the proposed issue of New Ordinary Shares by way of the Open Offer. The Open Offer provides Qualifying Shareholders with an opportunity to participate in the Transaction by subscribing for their Basic Entitlements and Excess Entitlements.

The Open Offer provides Qualifying Shareholders with the opportunity to apply to acquire Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Record Date on the following basis:

#### **9 Open Offer Shares for every 50 Existing Ordinary Shares**

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Qualifying Shareholders who do not take up their Basic Entitlements in full will experience a dilution to their interests of approximately 16.4 per cent. following the Open Offer Admission (assuming full subscription under the Placing and the Open Offer and excluding the dilution from the Equity Facility).

If Qualifying Shareholders have sold or otherwise transferred all of their Existing Ordinary Shares on or after the 'ex-entitlement' date, they are not entitled to participate in the Open Offer.

**Qualifying Shareholders should note that the Open Offer Shares have neither been placed or subject to a clawback under the Placing nor have they been underwritten, and that the Placing is not conditional upon the number of applications received under the Open Offer.**

The Open Offer is conditional on the Open Offer Admission occurring no later than 8 a.m. on 19 June 2020 (or such later time and/or date as the Company may decide being not later than the Long Stop Date). The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of the Open Offer Admission.

Those Placees who are Qualifying Shareholders will also be entitled to participate in the Open Offer. However, the Placing Shares issued pursuant to the Placing will not be eligible to participate in the Open Offer.

Qualifying Shareholders should note that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that, in the Open Offer, unlike in a rights issue, any entitlements to Open Offer Shares not applied for or not taken up will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Any such entitlements will consequently lapse.

### ***Excess applications***

The Open Offer is structured to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their existing holdings of Ordinary Shares on the Record Date.

Qualifying Shareholders may also make applications in excess of their Basic Entitlements. To the extent that Basic Entitlements are not subscribed by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such excess applications. The Company may satisfy valid applications for Excess Shares of applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

### ***CREST Instructions***

Application has been made for the Basic Entitlements for Qualifying CREST Shareholders to be admitted to CREST. It is expected that the Basic Entitlements will be admitted to CREST on 2 June 2020.

The Excess CREST Open Offer Entitlements will also be admitted to CREST on 2 June 2020. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying Non-CREST Shareholders will receive an Application Form which gives details of their Basic Entitlement under the Open Offer (as shown by the number of the Open Offer Shares allocated to them) with this document. If they wish to apply for Open Offer Shares under the Open Offer, they should complete the accompanying Application Form in accordance with the procedure for application set out in this document and on the Application Form itself. The completed Application Form, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions Project, Bristol, BS99 6AH, so as to arrive as soon as possible and in any event no later than 11:00 a.m. on 15 June 2020.

Qualifying CREST Shareholders will receive no Application Form with this document but will receive a credit to their appropriate stock account in CREST in respect of their Basic Entitlement and if appropriate their Excess Entitlement. They should refer to the procedure for application set out in Part 3 (*Terms and Conditions of the Open Offer*) of this document. The relevant CREST instruction must have settled by no later than 11:00 a.m. on 15 June 2020.

The latest time for applications under the Open Offer to be received is 11:00 a.m. on 15 June 2020. The procedure for application and payment depends on whether, at the time at which application and payment is made, a Qualifying Shareholder has an Application Form in respect of their Basic Entitlement or have their Basic Entitlement credited to their stock account in CREST.

**If you are in any doubt as to what action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

### ***Application, Settlement and Dealings***

Application will be made to the London Stock Exchange for the Open Offer Shares, to be admitted to trading on AIM. Subject to certain conditions, it is expected that the Open Offer Admission will become effective and that dealings in respect of such Open Offer Shares will commence at 8.00 a.m. on 19 June 2020. Further information in respect of settlement and dealings in the Open Offer Shares is set out in paragraph 3 of Part 3 of this document.

## **6 Participation by Directors and Existing Shareholders**

ARC Fund intend to subscribe for 25,481,481 New Ordinary Shares (equal to approximately US\$2,000,000) under the Open Offer (subject to a clawback which may reduce their subscription to a minimum of 25,128,164 Open Offer Shares if the Open Offer is fully subscribed).

Any application under the Excess Application Facility is subject to a clawback to satisfy valid applications by Qualifying Shareholders under their Basic Entitlement.

Lord Renwick of Clifton and Mark Summers have subscribed for Placing Shares pursuant to the Placing, and none of the Directors, that are eligible to do so, intend to subscribe for Open Offer Shares under the Open Offer.

## **7 Use of proceeds**

The proceeds from the Open Offer will be utilised for general corporate purposes of the Company, and to the extent necessary, to fund Hinda and Elandsfontein operating costs, if required.

## **8 Overseas Shareholders**

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents), or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part 3 (*Terms and Conditions of the Open Offer*) of this document.

## **9 Share option schemes**

The Open Offer is not being extended to the holders of share options, save to the extent that any such share options are or have been validly exercised and Ordinary Shares have been allotted in consequence of such exercise prior to the Record Date.

## **10 Action to be Taken**

### *In respect of the Open Offer*

Qualifying Non-CREST Shareholders wishing to apply for Open Offer Shares and/or Excess Shares must complete and sign the accompanying Application Form in accordance with the instructions set out in paragraph 3 of Part 3 of this document and on the accompanying Application Form and return it by post, together with the appropriate payment, in the envelope provided to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Project, Bristol, BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to arrive by no later than 11:00 a.m. on 15 June 2020.

If you are a Qualifying CREST Shareholder, no Application Form has been sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 3 of Part 3 of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 3 of Part 3 of this document by no later than 11:00 a.m. on 15 June 2020.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

### **General**

If you do not wish to apply for any Open Offer Shares or Excess Shares under the Open Offer, you should not complete or return the Application Form or make an application in CREST.

If you have sold or otherwise transferred, or you sell or otherwise transfer, all of your registered holding of Existing Ordinary Shares held in certificated form prior to the Ex-entitlement Date, please immediately forward this document but not the accompanying personalised Application Form, to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was or is effected for onward delivery to the purchaser or transferee. If you have sold or otherwise transferred, or you sell or otherwise transfer Existing Ordinary Shares held in uncertificated form prior to the Ex-entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee through CREST. If you have sold or otherwise transferred, or you sell or otherwise transfer, only part of your registered holding of Existing Ordinary Shares held in certificated form, before the Ex-entitlement Date, please immediately contact your stockbroker, bank or other agent through or by whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the Application Form.

If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

Your attention is drawn to the risk factors set out in Part 2 of this document. You should read all of the information contained in this document (including the risk factors contained in Part 2 of this document, the terms and conditions of the Open Offer in Part 3 of this document and the questions and answers about the Open Offer in Part 4 of this document) carefully before deciding the action to take in respect of the Open Offer.

Yours faithfully

**Lord Renwick of Clifton**  
*Non-Executive Chairman*

## PART 2

### RISK FACTORS

Any investment in the Company is subject to a number of risks. Accordingly, prospective investors should carefully consider the risks set out below as well as the other information contained in this document and any other publicly available information about the Company before making a decision whether to invest in the Company. The risks described below are not the only risks that the Company faces. Additional risks and uncertainties that the Directors are not aware of or that the Directors currently believe are immaterial may also impair the Company's operations. Any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In that case, the price of the Ordinary Shares could decline, and investors may lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the information in this document and their personal circumstances.

Before making an investment, prospective investors are strongly advised to consult an investment adviser authorised under the FSMA who specialises in investments of this kind. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances, the financial resources available to him or her and his or her ability to bear any loss which might result from such investment.

The following 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 investing in the Company. In particular, the Company's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory, tax and operational requirements.

#### **1 Risks relating specifically to the Group**

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

The Elandsfontein Project requires a number of modifications to the processing facility and successful commissioning in order to recommence operations in Q4 2021. Any delays in the engineering design, procurement or delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the 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: *Coronavirus Outbreak*.

##### ***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 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 has successfully re-commenced, while continuing to expend its cash reserves.

### ***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.

Possible groundwater inflow into the pit has also been identified by SRK (SA) as a potential geotechnical risk as increased pore 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.

### ***Mineral Resource and Mineral Reserve estimates***

The Group's reported mineral resources and reserves are only estimates, which are based on a range of assumptions. In addition, mineral resource estimates are based on limited sampling and consequently are uncertain because the samples may not be representative. There are numerous uncertainties inherent in estimating mineral resources and ore reserves, including factors beyond the control of the Group. The estimation of mineral resources and ore reserves is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing, production, evaluation of mine plans and exploration activities subsequent to the date of any estimate may justify revision (up or down) of such estimates. There is no assurance that mineral resources can be economically mined. Those portions of the mineral resources that have not been converted to ore reserves do not have demonstrated economic viability. A mineral resource is not the equivalent of a commercially mineable ore body or an ore reserve. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's future ore reserves uneconomic to exploit and may result in revision of its future ore reserve estimates from time to time. Ore reserve data is not indicative of future results of operations. If in the future, the Group's actual mineral resources and ore reserves prove to be less than the current estimates, other than as a result of depletion through production, or if the Group fails to develop its resource base through the upgrading of Inferred mineral resources to indicated or measured resources, or by the realisation of identified new mineralised potential, the Group's results of operations and financial

condition may be materially and adversely affected. The Company and the Directors cannot give any assurance that the estimated ore reserves will be recovered as the Group proceeds through production or that they will be recovered at the volume, grade and rates estimated.

#### ***Dependence on key personnel/employees***

The Group's future success is substantially dependent upon the continued services and performance of its senior management and other key personnel in the various areas of the Group's business and, in particular, the senior management's ability to maintain important relationships with governmental, regulatory and local communities in South Africa and the Republic of Congo. The loss of the services of certain key employees or the inability to recruit personnel of the appropriate calibre could have a material adverse effect on the business of the Group. There can be no assurance that the Group will be successful in attracting and retaining such personnel.

Although the Company believes that the Group's relations with its employees are good, there can be no assurance that a work slowdown or stoppage will not occur at any of the Group's operating units or exploration prospects. Any future work slowdowns, stoppages, disputes with employee unions or other employment-related developments or disputes, including the entry into or renegotiation of collective bargaining agreements, could result in a decrease in the Group's production levels and adverse publicity and/or an increase in costs, which could have a material adverse effect on the Group's business, results of operations and financial condition and the price of its shares.

#### ***Contractor risks***

The Group's ongoing operations depend significantly on the maintenance of good relationships with, and the solvency of, its key contractors, including exploration, mining and plant operating contractors, laboratory services, concentrate transport, logistics and export and warehousing contractors.

Failure of any of the key operating contractors to achieve suitable levels of operational readiness will impact on the successful commissioning of the Elandsfontein Project, which will have an adverse impact on the performance of the operation.

Failure of any of the contractors to perform the required scope of work may also pose a risk to the operational performance of the Group.

The timely success of the plant modifications at the Elandsfontein Project also requires maintenance of good relationships with previous subcontractors and equipment vendors. Failure to maintain these relationships may adversely impact the ability to successfully commence operations, which may have a material adverse impact on the business operations and the financial performance of the Group.

The Group's operations may be affected by labour-related problems with its contractor workforce in the future, such as union demands and litigation for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations) applicable to contractors, will not adversely affect the results of operations or the financial condition of the Group. It is expected that certain members of the contractor workforce who will be engaged to operate Elandsfontein when it becomes operational will belong to unions.

#### ***Dependence on maintenance of good relationships with regulatory and governmental departments***

The Group relies on the maintenance of good relationships with regulatory and governmental departments in South Africa and the Republic of Congo. Failure to maintain these relationships may adversely impact the Company's performance.

#### ***Requirements for permits and licences***

The operations of the Group require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. The Group's ability to obtain, sustain or renew licences and permits and other licences and permits that are required by it on applicable terms is subject to changes in regulations and policies and is at the discretion of the applicable governmental authorities.

The Elandsfontein Project holds the necessary environmental, water and mining permits and licences to operate. The WUL is the subject of an administrative appeal which is described in more detail under the heading “WUL and associated litigation” below. The appeal does not suspend the WUL while it is pending and operations may continue in accordance with those licences.

The proposed plant modifications at Elandsfontein may require the use of additional chemical reagents. This may necessitate an amendment to the Elandsfontein mine’s approved EMPr and potentially also to its WUL. Although there is no guarantee that the amendments will be granted, the Directors believe these are minor amendments in the context of the Elandsfontein Project and there is no reason to believe that the authorities will not grant the amendments. The environmental, water and mining licences are granted subject to conditions. Failure to comply with any material conditions could result in the suspension or revocation of a permit or licence which could have a material adverse effect on the business and financial performance of the Group.

#### ***WUL and associated litigation***

There is currently an administrative appeal which is pending before the Tribunal. 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 appeal hearing was expected to reconvene on 16 March 2020, however it has been postponed due to COVID-19. As noted under the heading “Coronavirus Outbreak” the Company does not expect the Tribunal to be rescheduled until after the Directive has been lifted. Pending the Water Tribunal’s decision, there is no legal impediment to the continuation with the water use activities authorised in the integrated WUL.

There can be no guarantee that the administrative appeal will be rejected, or that there will not be future successful actions or appeals against 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.

#### ***Hinda Project***

The Group’s focus for the Hinda Project is concerned with the project’s exploration and development; however, there can be no assurance that the Hinda Project will be brought into production, or that it will ever be profitable. The commercial viability of mineral deposits of the kind located and believed to be located at the Hinda Project area is dependent upon a number of factors, including, but not limited to, the market price of phosphate, the quality, size, grade and other attributes of the deposits and the proximity to, and availability of, infrastructure necessary to develop, exploit and transport minerals on a commercial scale.

#### ***Hinda Exploitation Convention***

The Hinda Exploitation Convention provides a set of protection rights, including the Republic of Congo’s guarantees in relation with the Hinda Project’s Operations, and sets out the Company’s and its shareholder’s commitments in terms of working programmes and corresponding financings.

Enforcing the Hinda Exploitation Convention against third parties remains subject to the approbation of the Convention by Parliament and the subsequent publication of the approbation law in the Official Gazette. The Republic of Congo has committed, under the Hinda Exploitation Convention to provide its best efforts in view of the adoption, by Parliament, of the law of approbation of the Convention by Parliament.

The adoption, by Parliament, of the law of approbation of the Hinda Exploitation Convention and the subsequent publication of the approbation law in the Official Gazette will protect the Company against any third party claim aiming at challenging the benefit, by Cominco S.A., of the legal regimes and tax and customs incentives granted to it under the Hinda Convention which go beyond the existing laws. This procedure elevates the Hinda Exploitation Convention to the rank of a special law and prevents any third party action aiming at challenging Cominco S.A.’s benefit of the conventional regime and incentives which go beyond the existing laws. In the absence of Parliamentary approval, the Hinda Exploitation Convention would remain binding on the Republic of Congo. However, the incentives and regimes granted by the Hinda Exploitation Convention that go beyond existing laws could be disputed in Court by the third parties. Any failure or delay of

Parliament to approve the Hinda Exploitation Convention (and the subsequent publication of the approbation law in the Official Gazette), could have a detrimental effect on the business, operations and financial performance of the Group.

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

The legal system in the Republic of Congo 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 Republic of Congo as an alternative to Republic of Congo 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 Congo. In addition, enforcement of contracts concluded outside of Congo before an Republic of Congo 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 Congo (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 Republic of Congo 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.

#### ***Exploration and development risks***

The exploration for and development of mineral deposits is speculative and involves significant risks which even a combination of careful evaluation, experience and knowledge may not be eliminated. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a mineral deposit is discovered it can take several years to determine whether mineral resources or ore reserves exist. During this time the economic viability of production may change. Substantial expenditure may be required to locate and establish mineral resources or ore reserves through drilling, metallurgical and other testing techniques, to develop metallurgical processes to extract metal from the ore and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programmes planned by the Group will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) commodity prices, which are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital and a material adverse effect on the Group's financial performance.

#### ***Financing and commercial viability of future projects***

The capital expenditure plans of the Group and the further development and exploration of mineral properties in which the Group holds interests or which the Group may acquire, may depend upon the Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. No assurance can be given that the Group will be successful in obtaining any required financing as and when needed on acceptable terms or at all, which could prevent the Group from further development and exploration or additional acquisitions.

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

Currently the Group has a fully drawn down project financing facility with BNP for US\$30 million and the Equity Facility with ARC Fund for US\$40 million. However, the Group's Elandsfontein Project and the Hinda Project may require greater investment than currently expected or suffer delays or interruptions, which could cause cost overruns. Any such delay, interruption or cost overruns in implementing the Group's planned capital investments could result in the Group failing to complete the Elandsfontein Project and the Hinda Project and a reduction in future production volumes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Projects may not prove to be commercially viable upon completion.

The BNP Facility is currently in technical default due to the delays in the commissioning of the Elandsfontein Project and Kropz Elandsfontein will receive the necessary waiver of the technical default on satisfaction of the conditions precedent including *inter alia* South Africa Reserve Bank approval of the BNP Facility Amendment Agreement. Should such conditions precedent not be satisfied then the BNP Facility may become immediately repayable which could have a material adverse effect on the Group's financial condition.

The Group's ability to obtain future financing will depend in part on its ability to achieve positive cash flows from its current operations within time and budget, an extended commissioning ramp-up period will have an adverse impact on the business and financial performance of the Group. Further, see risk factor: *Coronavirus Outbreak*.

#### ***Minority shareholder rights***

The Company does not hold 100 per cent. of its principal operational subsidiaries and therefore its assets are not wholly owned. Minority shareholder partners in those subsidiaries may have rights under the governing documentation of such subsidiaries or under relevant local law and regulation which may, were such rights to be utilised, constrain the Company's ability to operate through those subsidiaries in the way which it could if they were wholly-owned. Whilst the Company intends to maintain good working relationships with such partners there is no guarantee that in the future such partners will not seek to exercise such rights. In such circumstances the relevant subsidiary's performance and therefore the Company's performance may be adversely affected.

#### ***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 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.

#### ***Consistency of electricity supply***

Electricity supply and distribution in South Africa is solely conducted by Eskom. Eskom is currently experiencing a number of financial and operating challenges. If the Company is unable to source sufficient electricity to mine and process material at the Elandsfontein Project it would need to find

alternative power sources, which may involve extra cost, senior managerial resources and delays in developing the Elandsfontein Project, and therefore a material adverse impact on the business and financial performance of the Group.

### ***Uninsured risks***

The Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of contractors, sub-contractors or operators. Any indemnities the Group may receive from such parties may be limited or may be difficult to enforce if such contractors, sub-contractors or operators lack adequate resources. As discussed further in 'Environmental regulation and environmental compliance' below, the Group is uninsured 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. The Directors believe that the level of the Group's insurance cover (and that of the operators of assets it does not itself operate) is reasonable based on the costs of cover, the risks associated with its business and industry practice. The Company can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The Group will also be subject to the risk of unavailability, increased premiums or deductibles, reduced cover and additional or expanded exclusions in connection with its insurance policies and those of operators of assets it does not itself operate.

If the Group incurs losses related to any significant events not covered by its insurance policies or incurs losses in excess of its carried coverage, such losses may have a material adverse effect on the Group's business, revenues, financial condition, results of operations or prospects or the market price of the Ordinary Shares.

### ***Unknown environmental risks***

Environmental hazards may exist on the properties in which the Group holds interests that are unknown to the Company and that have been caused by previous or existing owners or operators of the properties. To the extent the Group is subject to environmental liabilities, the payment of any liabilities or the costs that may be incurred to remedy environmental impacts would reduce funds otherwise available for operations.

### ***Limited diversification***

The Group's early revenues will be derived from the sale of phosphate rock produced by the Group's Elandsfontein Project. Consequently, if there were any change in law or policy or other circumstances arising in South Africa which materially reduced or interrupted or halted mining or processing operations at the Elandsfontein Project then the Group's results of operations and financial condition could be materially and adversely affected.

## **2 Risks relating to the Group's business**

### ***Coronavirus Outbreak***

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

The directive issued by the South African Government to contain the spread of the Coronavirus involving a 21-day national lockdown, from midnight Thursday, 26 March 2020 to midnight Thursday, 16 April 2020 (the "**Directive**"), which was extended indefinitely on 9 April 2020. The Directive requires all non-essential business and activities to be suspended, and for people to stay at home. Consequently, all South Africa-based employees of Kropz and Kropz Elandsfontein will work from home during the lockdown.

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

As announced on 16 March 2020, the Water Tribunal ("**Tribunal**") has been postponed indefinitely. The Company does not expect the Tribunal to be rescheduled until after the Directive has been

lifted. Pending the Tribunal's decision, there is no legal impediment to the continuation of the water use activities authorised in the WUL.

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

### ***Future litigation***

Save as disclosed in above under heading "WUL and associated litigation", the Company is not currently aware of any other material outstanding litigation, there can be no guarantee that the current or future actions of the Group will not result in further litigation. The mining industry, as with all industries, is subject to legal claims, both with and without merit, in particular in relation to environmental and health and safety liability. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position or results of operations.

### ***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.

### ***Weather patterns and natural disasters***

Adverse weather conditions, such as natural disasters, crop disease, pests and other anomalies in regional weather conditions may have a significant and unpredictable impact on the demand for phosphate rock, and fertilizers more generally, which may impact future revenue. Agricultural production, at the regional level, is highly seasonal and farmers have narrow windows of time in a given season to cultivate and harvest crops. Should adverse weather cause unfavourable growing conditions and decrease agricultural production during these seasonal windows, the Group's revenues could be materially impacted.

### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies, including competitors with greater financial, technical and other resources than the Group. The Group's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on

which it currently has exploration and mining rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that the Group will continue to be able to compete successfully in acquiring exploration and development rights on such properties. As a result, the Group's revenues may decline over time, thereby materially and adversely affecting its results of operations and financial condition.

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

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental and safety legislation and regulation (e.g. in relation to reclamation, disposal of waste products, pollution and protection of the environment, protection of wildlife and otherwise relating to environmental protection) is frequently changing and is generally becoming more restrictive with a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. Future changes could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation. Breach of any environmental obligations could result in penalties and civil liabilities and/or suspension of operations, any of which could adversely affect the Group. Further, approval may be required for any material plant modifications or additional land clearing and for ground disturbing activities. Delays in obtaining such approvals could result in the delay to anticipated exploration programmes or mining activities.

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

In South Africa, the Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations 2015 (R1147 of 20 Nov 2015) provides that the holder of a mining right must provide for rehabilitation and remediation costs, with particular reference to when the mine is decommissioned at the end of mining, or production operations. It is expected that mining operations at Elandsfontein will cease in year 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.

### ***Black economic empowerment and social development***

Under South African mining regulatory framework it is a requirement that a minimum of 26 per cent. of the shares in companies holding interests in mining rights in South Africa is held by HDSA.

The minority interests in the Elandsfontein Project are held by the ARC Fund and must continue to be held by the ARC Fund in accordance with the HDSA requirements of the Mining Charter. There can be no guarantee that the ARC Fund will retain its BEE status, in which case the Group would be obliged to find alternative HDSA investors and agree a transfer of the existing interest of the ARC Fund to a new HDSA partner. In regard to social development, obligations are currently imposed in terms of both the Mining Charter and the social and labour plan obligations set out in an attachment to the Elandsfontein Mining Right held by the Group. There are certain procurement and employment equity targets set out in the new Mining Charter III, gazetted in September 2018, and Kropz Elandsfontein has a period of five years within which to attain those targets. These could materially affect the financial position 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 Republic of Congo 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 Republic of Congo are beyond the control of the Group and may adversely affect its operations.

### ***Legal systems***

Jurisdictions in which the Group might operate in the future, including Republic of Congo and South Africa, may have less developed legal systems than more established economies which could result in risks such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

### ***Risk of crime and corruption***

Countries in Africa generally experience high levels of criminal activity and governmental and business corruption. Exploration and mining companies operating in certain areas of Africa may be particular targets of criminal actions. Criminal or corrupt action against the Group could have a material adverse effect on the Group's business, operations, financial performance, cash flow and future prospects. In addition, the fear of criminal or corrupt actions against the Group could have an adverse effect on the ability of the Group to adequately staff and/or manage its operations or could substantially increase the costs of doing so.

The Group is subject to anti-corruption and anti-bribery legislation and regulations, including the UK Bribery Act and other laws and regulations that prohibit companies and their intermediaries from making improper payments or offers of payments to foreign governments and their officials and political parties, or others for the purpose of obtaining or retaining business and other benefits.

By doing business in South Africa, the Republic of Congo and other jurisdictions in Africa, the Group could face, directly or indirectly, corrupt demands by officials, militant groups or private entities. Consequently, the Group faces the risk that one or more of its employees, agents, intermediaries or consultants may make or receive unauthorised payments given that such persons may not always be subject to its control.

Although the Company has policies and procedures designed to ensure that the Group itself, employees, agents, intermediaries and consultants comply with the UK Bribery Act and other anti-corruption legislation, there is no assurance that such policies or procedures will work effectively all of the time or protect the Group against liability under any such legislation for actions taken by its agents, employees, intermediaries and consultants with respect to its business.

If the Group is not in compliance with the UK Bribery Act or other laws governing the conduct of business with indigenous governments and entities (including local laws), the Group or its Directors may be subject to criminal and civil penalties and other remedial measures.

Furthermore, any remediation measures taken in response to potential or alleged violations of the UK Bribery Act or other anti-corruption or anti-bribery laws, including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, may result in increased compliance costs.

Any such findings, or any alleged or actual involvement in corrupt practices or other illegal activities by the Group or its commercial partners or anyone with whom it conducts business could damage its reputation and its ability to do business, including by affecting its rights and title to assets or by the loss of key personnel, and together with any increased compliance costs, could adversely affect its business, operations, financial performance, cash flow and future prospects.

#### ***Adverse sovereign action***

The Group is exposed to the risk of adverse sovereign action by the governments of South Africa, Republic of Congo 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.

#### ***Deposits of strategic importance***

There can be no assurance that industries deemed of national or strategic importance to countries in Africa such as mineral production will not be nationalised. Government policy may change to discourage foreign investment, re-nationalisation of mining industries may occur and other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Group's assets in Africa will not be subject to nationalisation, requisition or confiscation, whether legitimate or not, by any authority or body. Similarly, the Group's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual payments to maintain mineral properties in good standing. There can be no assurance that the laws of South Africa (or of other African states), protecting foreign investments, will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks detailed above. There can be no assurance that any agreements with the governments of South Africa, the Republic of Congo and other jurisdictions that the Group may operate in will prove to be enforceable or provide adequate protection against any or all of the risks described above.

#### ***Currency risk***

While the sale of phosphate fertilizer is principally in US Dollars throughout the world, a significant portion of the Group's expenses incurred in connection with the projects will be in the local currencies of South Africa and the Republic of Congo. As a result, fluctuations in currency exchange rates could have a material adverse effect on the financial condition, results of operation or cash flow of the Group. The Group does not currently intend to enter into any hedging arrangements with respect to foreign currencies.

Fluctuations in exchange rates between currencies in which the Group invests, reports or derives income, may cause fluctuations in the Company's financial results that are not necessarily related to the Group's underlying operations. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

#### ***Exchange control risk***

The Group will operate in countries that may impose foreign exchange controls, which may prevent local companies from paying dividends or repatriating profits to their foreign shareholders. Additional administrative procedures and requirements, such as the retention of a portion of foreign currency holdings in local banks, may also be imposed on local companies.

### ***Unanticipated tax liabilities***

The Group is subjected to the tax laws of several jurisdictions, including South Africa, the Republic of Congo and the United Kingdom. The combined effect of the application to the Group of the tax laws of more than one of these jurisdictions and/or their interpretation by the relevant tax authorities could, under certain circumstances, give rise to unanticipated tax liabilities which could have an adverse effect on the Group's business, results of operations and financial condition.

## **3 Risks relating to the Open Offer and the Ordinary Shares**

### ***Dilution***

Regardless of whether a Qualifying Shareholder takes up his/her/its entitlements under the Open Offer, the effect of the Placing and the Equity Facility will be a reduction of his/her/its proportionate ownership and voting interests in Kropz (unless a Shareholder applies for and obtains Excess Shares under the Open Offer to such an extent that his/her proportionate interest is not reduced). Shareholders will experience greater dilution in their ownership of, and voting interests in, the Company to the extent they do not subscribe in full for their Basic Entitlement and/or Excess Entitlement. Those Shareholders in a Restricted Jurisdiction, subject to certain exceptions, will in any event not be able to participate in the Open Offer.

Additionally, other than in connection with the Placing, the Equity Facility and the Open Offer or pursuant to employee share plans or other similar incentive arrangements, the Company has no current plans for an offering of Ordinary Shares. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future. Future sales or the availability for sale of substantial amounts of Ordinary Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and impair the Company's ability to raise capital through future offerings of equity securities

### ***Realisation of investment***

Potential investors should be aware that the value of shares and income from these shares can go down as well as up and that Admission should not be taken as implying that there will be a liquid market in the Ordinary Shares. An investment in the Existing Ordinary Shares and/or the New Ordinary Shares may thus be difficult to realise.

### ***Investment risk and AIM***

The New Ordinary Shares will be admitted to AIM and it is emphasised that no application is being made for admission of the New Ordinary Shares to the Official List or to any other stock exchange at this time. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Further, London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### ***Market for the Company's shares and volatility of share price***

Prospective investors should be aware that the value of an investment in the Company may go down as well as up. In addition, the Company can give no assurance that an active trading market for its shares will develop, or if developed, be sustained in the future. If an active trading market is not developed or maintained, the liquidity and trading price of the Company's shares could be adversely affected. Furthermore, the trading price of the Company's shares may not reflect the underlying value of the investments held by the Company and may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, the timing of investments, changes in the regulatory environment and stock market sentiment towards investment companies.

**Investors should consider carefully whether an investment in Kropz is suitable for them in light of the risk factors outlined above, their personal circumstances and the financial resources available to them. This list should not be considered an exhaustive statement of all potential risks and uncertainties.**

## PART 3

### TERMS AND CONDITIONS OF THE OPEN OFFER

#### **Introduction**

As explained in the letter from the Chairman set out in Part 1 (*Letter from the Chairman*) of this document, the Company is proposing to raise up to approximately US\$ 7 million (before expenses) by way of the Placing and the Open Offer, of which up to approximately US\$ 4 million (before expenses) will be raised from the offer of the Open Offer Shares at the Issue Price to Qualifying Shareholders (assuming the Open Offer is subscribed in full).

The Issue Price represents a discount of approximately 15.6 per cent. to the closing mid-market price of 8.00 pence per Existing Ordinary Share on 29 May 2020 (being the latest practicable date prior to the date of this document).

The purpose of this Part 3 (*Terms and Conditions of the Open Offer*) is to set out the terms and conditions of the Open Offer. Up to 51,013,134 new Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is close of business on 28 May 2020. Qualifying Non-CREST Shareholders will have received Application Forms with this document and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 2 June 2020.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11:00 a.m. on 11 June 2020 with the Open Offer Admission and commencement of dealings in the Open Offer Shares expected to take place at 8:00 a.m. on 19 June 2020.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part 3 (*Terms and Conditions of the Open Offer*) which gives details of the procedure for application and payment for the Open Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility. The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3 (*Terms and Conditions of the Open Offer*).

The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to a maximum of 51,013,134 Open Offer Shares *pro rata* (except fractional entitlements) to their current holdings at the Issue Price in accordance with the terms of the Open Offer.

Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlements as at the Record Date. Further details in relation to the Excess Application Facility are set out in Part 4 (*Questions and Answers about the Open Offer*) of this document and, for Qualifying Non-CREST Shareholders, within the Application Form.

The Open Offer is not conditional upon the level of applications made to subscribe under the Open Offer or upon any minimum level of proceeds being raised. For the purposes of section 578 of the Act, the Open Offer is being made on the basis that the Open Offer Shares subscribed for will be allotted in any event. Accordingly, even if the Open Offer is not fully subscribed, Open Offer Shares will be issued to Qualifying Shareholders who have applied (subject to the terms and conditions set out in this document and the Application Form).

Any Qualifying Shareholder who has sold or transferred all or part of his/her/its registered holding(s) of Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of London Stock Exchange.

## **1 The Open Offer**

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings as at the Record Date, payable in full on application. The Issue Price per Open Offer Share of 6.75 pence.

The Open Offer provides Qualifying Shareholders with the opportunity to apply to acquire Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Record Date on the following basis:

### **9 Open Offer Shares for every 50 Existing Ordinary Shares**

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlement to Open Offer Shares will be disregarded in calculating the Basic Entitlement. Qualifying Shareholders who do not take up their Basic Entitlements in full will experience a dilution to their interests of approximately 16.4 per cent. following the Open Offer Admission (assuming full subscription under the Placing and the Open Offer and excluding the dilution from the Equity Facility).

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 3) and your Open Offer Entitlement (in Box 4).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 2 June 2020. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Qualifying Shareholders holding fewer than 50 Existing Ordinary Shares will have no entitlement to subscribe under the Open Offer.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Open Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in Part 4 (*Questions and Answers about the Open Offer*) of this document and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 3 of this Part 3 (*Terms and Conditions of the Open Offer*) for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

The aggregate number of New Ordinary Shares available for subscription pursuant to the Open Offer is 51,013,134.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Please refer to paragraphs 3.1(f) and 3.2(k) of this Part 3 (*Terms and Conditions of the Open Offer*) for further details of the Excess Application Facility.

**If you have sold or otherwise transferred all your Existing Ordinary Shares before the Ex-Entitlement Date, you are not entitled to participate in the Open Offer. Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply for them under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer will not be issued by the Company as the Open Offer is not underwritten.**

**The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3 (*Terms and Conditions of the Open Offer*).**

The Open Offer Shares will when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid by reference to a record date after the date of this document and otherwise *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

## **2 Conditions and further terms of the Open Offer**

The Open Offer is conditional on the Open Offer Admission occurring no later than 8 a.m. on 19 June 2020 (or such later time and/or date as the Company may decide being not later than the Long Stop Date).

Accordingly, if this condition is not satisfied or waived (where capable of waiver) by 8 a.m. on 19 June 2020 (or such later time and/or date as the Company may decide being not later than the Long Stop Date) the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (in each case at the applicant's sole risk) without payment of interest, as soon as practicable thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 29 June 2020.

In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as reasonably practicable after 8:00 a.m. on 19 June 2020.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Open Offer Admission is expected to occur at 8 a.m. on 19 June 2020, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of the Open Offer Shares will be held in a separate non-interest bearing bank account opened solely for the Open Offer.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

## **3 Procedure for application and payment**

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder is sent an Application Form in respect of his

Open Offer Entitlement under the Open Offer or his Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to his CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form.

Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Entitlements in CREST. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Entitlements in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2(f) of this Part 3 (*Terms and Conditions of the Open Offer*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

**Qualifying Shareholders who do not want to apply for Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE instruction through CREST.**

3.1 If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer  
(a) *General*

Subject to paragraph 6 of this Part 3 (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 3. It also shows the Open Offer Entitlement allocated to them set out in Box 4. Entitlements to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating the Basic Entitlement. Box 5 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so by completing Boxes 6 to 9. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form forms part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3:00 p.m. on 11 June 2020. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred

all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 11 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. Subject to certain exceptions, the Application Form should not, however be forwarded to or transmitted in or into any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below

*(c) Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications by Qualifying Non-CREST Shareholders will be returned to the applicant (at the applicant’s risk), without payment of interest, as soon as practicable thereafter.

Completed Application Forms should be posted in the accompanying pre-paid envelope to the Receiving Agent by post to Computershare Investor Services PLC, Corporate Actions Project, Bristol, BS99 6AH, or returned by hand (during normal business hours only) so as to be received by Computershare by not later than 11:00 a.m. on 15 June 2020. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11:00 a.m. on 15 June 2020; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 15 June 2020 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant’s own risk.

*(d) Payments*

All payments must be in pounds sterling and made by cheque or banker’s draft made payable to Computershare Investor Services PLC Re: Kropz plc – Open Offer A/C and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared



through the facilities provided by any of those companies and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp on the back of the cheque. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Computershare to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If cheques or banking drafts are presented for payment before the condition of the Open Offer is satisfied or waived (where capable of waiver), the application monies will be credited to a non-interest bearing account by the Receiving Agent. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, Computershare shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Computershare, the Joint Brokers or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders as a result.

*(e) Incorrect Sums*

If an Application Form encloses a payment for an incorrect sum, the Company through Computershare reserves the right:

- (i) to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question without payment of interest; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Non-CREST Shareholder in question without payment of interest, save that any sums of less than £1 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question without payment of interest, save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by Computershare in respect of Open Offer Shares will be held in a separate client account.

*(f) The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Boxes 6 to 9 of the Application Form.

Qualifying Non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form. There is no limit on the amount of Open Offer Shares that can be applied for by Qualifying Shareholders under the Excess Application Facility, save that the maximum amount of Open Offer Shares to be allotted under the Excess Application Facility will be limited by the maximum size of the Open Offer being 51,013,134 Open Offer Shares, in aggregate. The total number of Open Offer Shares is fixed and will not be increased in response to any excess applications. Applications pursuant to the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Non-CREST Shareholders will be met in full or in part or at all.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed 51,013,134 Open Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.

*(g) Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and the Joint Brokers that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and the Joint Brokers that all applications under the Open Offer and any contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company and the Joint Brokers that in making the application he is not relying on any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Group contained in this document;
- (iv) acknowledges that no person has been authorised to give any information or make any representation concerning the Company or the Group or the Open Offer Shares (other than as contained in this document) and, if given or made, any such information or representation should not be and is not being relied upon as having been authorised by the Company and/or the Joint Brokers;

- (v) represents and warrants to the Company and the Joint Brokers that he is the Qualifying Non-CREST Shareholder originally entitled to the Open Offer Entitlement or that he received such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (vi) requests that the Open Offer Shares to which he will become entitled shall be issued to him on the terms set out in this document and the Application Form subject to the Articles of Association of the Company;
- (vii) represents and warrants to the Company and Joint Brokers that (i) he is not, nor is he applying for the account or benefit of, or acting on a non-discretionary basis on behalf of, any person who is (A) a US Person or (B) within, or is a resident of, or is a corporation, partnership or other entity created or organised in or under the laws of the United States or any other Restricted Jurisdiction;
- (viii) he is acquiring the Open Offer Shares for his own account and is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a person who is a US Person or within any other Restricted Jurisdiction, or to, or for the benefit of, a person who is a resident of, or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome); and he is not otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or the Excess Application Facility;
- (ix) represents and warrants to the Company and the Joint Brokers that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (x) confirms that in making the application he is not relying and has not relied on the Company or the Joint Brokers or any person affiliated with the Company or the Joint Brokers in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

*(h) Form of Proxy*

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Open Offer Shares to which he is entitled in uncertificated form in CREST. Please see paragraph 3.2(f) below for more information.

3.2 If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer

(a) *General*

Subject to paragraph 6 of this Part 3 (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer plus the number of Excess Shares for which he is entitled to apply under the Excess CREST Open Offer Entitlement. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlement to Open Offer Shares will be disregarded in calculating the Basic Entitlement.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the relevant Open Offer Entitlement and Excess CREST Open Offer Entitlement have been allocated. If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3:00 p.m. on 10 June 2020, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST

(b) *Bona fide* market claims

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements and Excess CREST Open Offer Entitlements will generate appropriate market claim transactions and the relevant Open Offer Entitlements and Excess CREST Open Offer Entitlements will thereafter be transferred accordingly.

(c) *Unmatched Stock Event (“USE”) instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare under the participant ID and member account ID specified below, with a number of Open Offer Entitlements and Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Computershare in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 3.2(c)(i) above.

*(d) Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to Computershare);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BMC5BK31;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Computershare in its capacity as a CREST receiving agent. This is 3RA23;
- (vi) the member account ID of Computershare in its capacity as a CREST receiving agent. This is KROPZOO;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (d)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 15 June 2020; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 15 June 2020. In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 15 June 2020 in order to be valid is 11.00 a.m. on that day. In the event that the Open Offer does not become unconditional by 8.00 a.m. on 19 June 2020 (or such later time and date as the Company determines being not later than the Long Stop Date), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Computershare will refund the amounts paid by Qualifying CREST Shareholders by way of a CREST payment, without interest, as soon as practicable thereafter.

*(e) Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which application is being made (and hence the number of Excess CREST Open Offer Entitlements being delivered to Computershare);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BMC5BL48;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Computershare in its capacity as a CREST receiving agent. This is 3RA23;
- (vi) the member account ID of Computershare in its capacity as a CREST receiving agent. This is KROPZOO ;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (e)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 15 June 2020; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 15 June 2020.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (x) a contract name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 15 June 2020 in order to be valid is 11.00 a.m. on that day. In the event that the Open Offer does not become unconditional by 8.00 a.m. on 19 June 2020 (or such later time and date as the Company determines being not later than the Long Stop Date), the Open Offer will lapse, the Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Computershare will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

*(f) Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in Box 4 on his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign Box 2 and complete Box 13 of their Application Form, entitled 'CREST Deposit Form' and then deposit their Application Form with the CREST Courier and Sorting Service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under

the Stock Transfer Act 1963) with the CREST Courier and Sorting Service and (b) only the Open Offer Entitlement shown in Box 4 of the Application Form may be deposited into CREST. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by Computershare.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration below Box 10 must be made or (in the case of an Application Form which has been split) marked 'Declaration of sale or transfer duly made'. If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 13 of your Application Form must be completed and deposited with the CREST Courier and Sorting Service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 13 of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of Computershare, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 10 June 2020 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 9 June 2020 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 15 June 2020. CREST holders inputting the withdrawal of their Open Offer Entitlements from their CREST account must ensure that they withdraw both their Open Offer Entitlements and Excess CREST Open Offer Entitlements.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Computershare by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 4 of the Application Form, and a declaration to the Company and Computershare from the relevant CREST member(s) that it/they is/ are not in the United States or any other Restricted Jurisdiction or citizen(s) or resident(s) of any Restricted Jurisdiction and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

*(g) Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 15 June 2020 will constitute a valid application under the Open Offer.

*(h) CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 15 June 2020. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

If a Qualifying CREST Shareholder does not wish to apply for the Open Offer Shares under the Open Offer, they should take no action.

(i) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through Computershare, reserves the right: (i) to reject the application in full and refund the payment to the CREST member in question (without payment of interest); (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without payment of interest); and (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without payment of interest).

(j) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying CREST Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part 3 (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer. Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlement nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements and the relevant Open Offer Entitlements be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlements claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlements credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser or transferee. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement. Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed 51,013,134 Open Offer Shares, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Each Qualifying CREST Shareholder who has made a valid application pursuant to his Excess CREST Open Offer Entitlement and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant's sole risk by way of a CREST payment as appropriate.

All enquiries in connection with the procedure for applications under the Excess Application Facility and Excess CREST Open Offer Entitlements should be addressed to Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by



provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

*(k) Effect of a valid application*

A CREST member who makes or is treated as making an application in accordance with the above procedures:

- (i) represents and warrants to the Company and the Joint Brokers that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Computershare's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and the Joint Brokers that all applications under the Open Offer and any contracts resulting therefrom, and non-contractual obligations related thereto, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company and the Joint Brokers that in making the application he is not relying on any information or representation in relation to the Group other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Group contained in this document;
- (v) acknowledges that no person has been authorised to give any information or make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such information or representation should not be and is not being relied upon as having been authorised by the Company and/or the Joint Brokers;
- (vi) represents and warrants to the Company and the Joint Brokers that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements and Excess CREST Open Offer Entitlements or that he received such Open Offer Entitlements and Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles of Association of the Company;
- (viii) represents and warrants to the Company and the Joint Brokers that he is not, nor is he applying for the account or benefit of, or acting on a non-discretionary basis on behalf of, any person who is (A) a US Person or (B) within, or is a resident of, or is a corporation, partnership or other entity created or organised in or under the laws of the United States or any other Restricted Jurisdiction he is acquiring the Open Offer Shares for his own account and is not applying with a view to re offering, re selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a

person who is a US Person or within any other Restricted Jurisdiction, or to, or for the benefit of, a person who is a resident of, or which is a corporation, partnership or other entity created or organised in or under any laws of, any Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome); and (iii) he is not otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or the Excess Application Facility;

- (ix) represents and warrants to the Company and the Joint Brokers that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (x) confirms that in making the application he is not relying and has not relied on the Company or the Joint Brokers or any person affiliated with the Company or the Joint Brokers in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

*(l) Company's discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3 (*Terms and Conditions of the Open Offer*);
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Computershare has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

*(m) Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 19 June 2020 or such later time and date as the Company may decide (being not later than the Long Stop Date), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Computershare will refund the amount paid by Qualifying CREST Shareholders by way of a CREST payments, without interest, as soon as practicable thereafter.

## 4 Money Laundering Regulations

### 4.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, Computershare may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Computershare. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “acceptor”), including any person who appears to Computershare to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 4 the “relevant Open Offer Shares”) and shall thereby be deemed to agree to provide Computershare with such information and other evidence as they may require to satisfy the verification of identity requirements.

If Computershare determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Computershare is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither Computershare nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Computershare has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Computershare and the Joint Brokers from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

- (a) The verification of identity requirements will not usually apply:
- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC)); or
  - (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
  - (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
  - (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (or its pound equivalent).
- (b) In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:
- (i) if payment is made by cheque or banker’s draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to Computershare Re: Kropz plc – Open Offer A/C in respect of an

application by a Qualifying Shareholder and crossed "A/C Payee Only". Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp to the back of the cheque. The account name should be the same as that shown on the Application Form; or

- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Computershare. If the agent is not such an organisation, it should contact Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

To confirm the acceptability of any written assurance referred to in (b)(ii) above, or in any other case, the acceptor should contact Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If an Application Form is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (or its pound equivalent) or more and is lodged by hand by the acceptor in person, or if the Application Forms in respect of Open Offer Shares is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by not later than 11.00 a.m. on 15 June 2020, Computershare has not received evidence satisfactory to it as aforesaid, Computershare may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the applicant (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

#### 4.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlement and Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Computershare before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to the Company and Computershare to provide promptly to Computershare such information as may be specified by Computershare as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Computershare as to identity, who may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## **5 Admission, settlement and dealings**

The result of the Open Offer is expected to be announced on 17 June 2020. Subject to the Placing and the Open Offer becoming unconditional in all respects (save only as to the Open Offer Admission), it is expected that the Open Offer Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8:00 a.m. on 19 June 2020.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11:00 a.m. on 15 June 2020 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 15 June 2020, Computershare will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from the Open Offer Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post by 29 June 2020.

No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will be sent through the post at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 above and their respective Application Form.

## **6 Overseas Shareholders**

**The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.**

### **6.1 General**

**The distribution of this document and the Application Form and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for Open Offer Shares under the Open Offer.**

No public offer of New Ordinary Shares is being made by virtue of this document or the Application Form in or into any jurisdiction outside the United Kingdom in which such offer would be unlawful. No action has been or will be taken by the Company, the Joint Brokers, or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application forms relating to the Open Offer Shares) in any

jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any applicable registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, the Joint Brokers, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer any Open Offer Entitlements or any Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements and/or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 (*Terms and Conditions of the Open Offer*) and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or

its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the other Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders who have registered addresses in, or who are ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any other Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement and/or Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## 6.2 United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or under any laws of, or with any securities regulatory authority of, any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States or to, or for the account or benefit of, a US Person, except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States or to any US Persons unless an exemption from or in a transaction not subject to, the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States or to any US Person. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying CREST Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be (i) a US Person; (ii) in the United States or (iii) acting on behalf of, or for the account or benefit of a US Person.

The Company reserves the right to treat as invalid any Application Form that (i) appears to the Company or its agents to have been executed or effected (A) by, or for the account or benefit of, a US Person, or (B) in, or despatched from, the United States, (ii) provides an address in the United States for the receipt of New Ordinary Shares, or (iii) does not make the warranty

set out in the Application Form, to the effect that the person completing the Application Form is not a US Person, does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or to, or for the account or benefit of, a US Person, or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any New Ordinary Shares to any person who is a US Person, or to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in, or who is otherwise located in, the United States in respect of the New Ordinary Shares.

### 6.3 South Africa

In South Africa, this document is being made available only to South African qualifying investors who fall within the ambit of sections 96(1)(a) or (b) of the South African Companies Act. The information contained in this document does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any shares or any other securities and is not an “offer to the public” as contemplated in the South African Companies Act. This document does not, nor does it intend to, constitute a “registered prospectus” or an “advertisement”, as contemplated by the South African Companies Act and no prospectus has been filed with the CIPC in respect of the Offer. As a result, this document does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC.

The information contained in this document constitutes factual information as contemplated in section 1(3)(a) of the FAIS Act and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the New Ordinary Shares or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situation or needs of a prospective investor.

### 6.4 Other Restricted Jurisdictions

Due to restrictions under the securities laws of any Restricted Jurisdictions and subject to certain exemptions, Qualifying Shareholders who have registered addresses in, or who are ordinarily resident in, or citizens of, any Restricted Jurisdiction, will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Open Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

### 6.5 Other overseas territories

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or other Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional



advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

#### 6.6 Representations and warranties relating to Overseas Shareholders

##### *(a) Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, the Joint Brokers and Computershare that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not a US Person; (ii) such person is not in the United States or any other Restricted Jurisdiction; (iii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iv) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (v) such person is not acquiring Open Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories. The Company and/or Computershare may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed or effected (A) by, or for the account or benefit of, a US Person, (B) in, or dispatched from the United States or another Restricted Jurisdiction or (C) in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or another Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

##### *(b) Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 3 (*Terms and Conditions of the Open Offer*) represents and warrants to the Company and the Joint Brokers that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any other Restricted Jurisdiction and is not a US Person; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Open Offer Shares with a view the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

#### 6.7 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

### **7 No withdrawal rights**

An application under the Open Offer once made is irrecoverable and cannot be withdrawn or changed.

## 8 Times and Dates

The Company shall, after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

## 9 Taxation

*The following information is given in summary form only and is intended to apply only as a general guide to certain UK tax considerations and does not purport to be a complete analysis of all potential UK tax consequences of the Open Offer. The information is based on UK tax legislation and, where relevant, current HM Revenue & Customs practice, at the date of this document. Such legislation and practice is liable to change (in some cases with retrospective effect). The information relates to the tax position of Qualifying Shareholders who (i) are resident (and, in the case of individuals, domiciled) in (and only in) the United Kingdom for United Kingdom tax purposes, (ii) hold their Open Offer Shares as an investment (other than under a self-invested personal pension plan or an Individual Savings Account), and (iii) are the absolute beneficial owners of their Open Offer Shares.*

*The statements below do not constitute advice to any Qualifying Shareholder on their tax position. The tax positions of certain types of Qualifying Shareholders (such as charities, persons holding their Open Offer Shares in the course of a trade, persons who have or could be treated for tax purposes as having acquired their Open Offer Shares by reason of their employment, persons who hold the shares as trustees, persons who are exempt from tax, collective investment schemes and insurance companies) are not considered. Qualifying Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below. Any Qualifying Shareholder should obtain advice from their own investment and/or taxation adviser before subscribing for Open Offer Shares.*

### 9.1 Inheritance tax relief

The Open Offer Shares should be treated as unquoted shares for UK inheritance tax (“IHT”) purposes (on the basis that they will be traded on AIM and not listed on a recognised stock exchange), with the result that individuals and trustees subject to IHT may be entitled to business property relief of up to 100 per cent. after a holding period of two years, providing that all relevant conditions for the relief are satisfied at the appropriate time.

### 9.2 Taxation of dividends

#### 9.2.1 Income tax

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company.

Individual Qualifying Shareholders resident in the UK receiving dividends from the Company may be liable to income tax on such dividends, subject to any applicable reliefs and exemptions. In the tax year ending 5 April 2020, no income tax is payable in respect of the first £2,000 of dividend income received from all sources in the tax year (although such income would still count towards the basic, higher and additional rate thresholds). For dividends received above £2,000 in the 2019/2020 tax year, the dividend income would be taxable at 7.5 per cent., 32.5 per cent. and 38.1 per cent. for basic rate, higher rate and additional rate taxpayers, respectively.

#### 9.2.2 Corporation tax

With certain exceptions for traders in securities, a holder of Open Offer Shares that is a company resident (for United Kingdom taxation purposes) in the United Kingdom and receives a dividend paid by the Company, should usually not be subject to corporation tax on the dividend received.

### 9.3 Taxation of chargeable gains

9.3.1 Under current published practice of HM Revenue & Customs, the subscription by a Qualifying Shareholder for Open Offer Shares up to that Qualifying Shareholder’s Open Offer Entitlement is expected to be treated as a reorganisation of share capital for the

purposes of the UK taxation of chargeable gains. To the extent that it is so treated, a Qualifying Shareholder would not be treated as disposing of the Existing Ordinary Shares already held by them in the Company and the Open Offer Shares would be treated as acquired at the same time as the Existing Ordinary Shares held by that Qualifying Shareholder in respect of which the Open Offer Shares were offered, and the cost of acquisition of the Open Offer Shares would be pooled with the allowable costs on the relevant Existing Ordinary Shares for the purposes of determining the amount of any chargeable gains arising on a subsequent disposal. Any subscription by a Qualifying Shareholder for Excess Shares under the Open Offer pursuant to the Excess Application Facility should be treated as a new acquisition outside the scope of the rules on reorganisations of share capital.

As a matter of UK tax law, the acquisition of Open Offer Shares may not, strictly speaking, constitute a reorganisation of share capital, and there is no guarantee that the HM Revenue & Customs practice mentioned above will be followed.

9.3.2 A UK resident individual Qualifying Shareholder who disposes of, or is deemed to dispose of, their Ordinary Shares may be liable to capital gains tax in relation thereto, subject to the availability of reliefs, exemptions or allowable losses. For a UK resident individual Qualifying Shareholder who is subject to income tax at the basic rate, the applicable rate would be 10 per cent. to the extent that the gain, when added to the Qualifying Shareholder's other taxable income for the relevant tax year, does not exceed the upper limit of the income tax basic rate band. To the extent that the gain exceeds this limit, or if an individual Qualifying Shareholder is subject to income tax at either the higher or the additional rate, the applicable rate of UK capital gains tax on the disposal of the Ordinary Shares will be 20 per cent. In computing the gain, the Qualifying Shareholder should be entitled to deduct from the proceeds the cost to that Qualifying Shareholder of the Ordinary Shares (together with incidental costs of acquisition and disposal). The capital gains tax annual exemption, which is £12,300 for individuals in the tax year 2019/2020, will also be available to offset any chargeable gain, to the extent that it has not already been utilised.

9.3.3 As the Ordinary Shares are traded on AIM, a market operated and regulated by the London Stock Exchange and which is not a recognised investment exchange for the purposes of FSMA, a Qualifying Shareholder (other than an employee of the Group or a person connected with any such employee) may qualify for investors' relief on a disposal of Ordinary Shares which they have held for at least 3 years. If investors' relief is available the rate of capital gains tax payable on the disposal of Ordinary Shares would be 10 per cent. capped at a lifetime limit of gains of 10 million.

9.3.4 Subject to the availability of reliefs, exemptions or allowable losses (including but not limited to the UK substantial shareholding exemption), for Qualifying Shareholders within the charge to UK corporation tax, any gain on the disposal or part disposal of Ordinary Shares will form part of the Qualifying Shareholder's profits chargeable to corporation tax. The current rate of corporation tax is 19 per cent.

#### 9.4 Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom *ad valorem* stamp duty should be payable on the issue by the Company of the Open Offer Shares. No *ad valorem* stamp duty or stamp duty reserve tax should be payable on transactions in shares traded on AIM where the shares are not also listed on a recognised stock exchange. Qualifying Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

### 10 Share option schemes

The Open Offer is not being extended to the holders of share options, save to the extent that any such share options are or have been validly exercised and Ordinary Shares have been allotted in consequence of such exercise prior to the Record Date.

## **11 Further information**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

## **12 Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares, by way of their Open Offer Entitlements and the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART 4

### QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part 4 (*Questions and Answers about the Open Offer*) of this document are intended to be in general terms only and, as such, you should read Part 3 (*Terms and Conditions of the Open Offer*) of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part 4 (*Questions and Answers about the Open Offer*) of this document deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 (*Terms and Conditions of the Open Offer*) of this document and you should take professional advice as to whether you are eligible for, and/or whether you need to observe any formalities to enable you to take up, your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 (*Terms and Conditions of the Open Offer*) of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Receiving Agents Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

#### **1 What is an open offer?**

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional Ordinary Shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the Existing Ordinary Shares prior to the announcement of the Open Offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 51,013,134 new Ordinary Shares at a price of 6.75 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located or resident in the United States, or another Restricted Jurisdiction, you will likely be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 9 Open Offer Share for every 50 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Issue Price represents a discount of approximately 15.6 per cent. to the closing mid-market price of 8.00 pence per Existing Ordinary Share on 29 May 2020 (being the latest practicable date prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement. Applications made under the Excess Application Facility may be allocated

in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor the Basic Entitlements can themselves be traded. Shareholders will not be able, under the Open Offer, to apply for any Placing Shares which are the subject of the Placing.

**2 I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located or resident in the United States or any other Restricted Jurisdiction, then you will likely be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares on 1 June 2020 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by London Stock Exchange).

**3 I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located or resident in the United States or any other Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Basic Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any other Restricted Jurisdiction, you will not receive an Application Form. If you would like to apply for any of or all of the Open Offer Shares comprised in your Basic Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque or banker's draft for the full amount payable, by post or by hand (during normal office hours only) to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by them by no later than 11:00 a.m. on 15 June 2020, after which time Application Forms will not be valid.

**4 I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

***(a) If you do not want to take up your Basic Entitlement***

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Basic Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11:00 a.m. on 15 June 2020, the Company has made arrangements under which it has agreed to issue those Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Basic Entitlement then, following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest will be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility and the Placing.

**(b) If you want to take up some but not all of your Basic Entitlement**

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 6, 8 and 9 of your Application Form; for example, if you are entitled to take up 1000 Open Offer Shares but you only want to take up 900 Open Offer Shares, then you should write '9005' in Boxes 6 and 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '900') by 6.75 pence which is the price in pounds of each Open Offer Share (giving you an amount of £60.75 in this example). You should write this amount in Box 9, rounding up to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, by post or by hand (during normal office hours only) to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by them by no later than 11:00 a.m. on 15 June 2020, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds Sterling and made by cheque made payable to "Computershare Investor Services Plc re Kropz plc Open Offer A/C." and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp to the back of the cheque. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agents to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be dispatched to you on 29 June 2020.

**(c) If you want to take up all of your Basic Entitlement**

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker's draft for the amount (as indicated in Box 5 of your Application Form), by post or by hand (during normal office hours only) to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by them by no later than 11:00 a.m. on 15 June 2020, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in Sterling and made by cheque made payable to "Computershare Investor Services Plc re Kropz plc Open Offer A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party

cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp on the back of the cheque. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agents to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you on 29 June 2020.

**(d) If you want to apply for more than your Basic Entitlement**

Provided you have agreed to take up your Basic Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement as at the Record Date. You should write the number of Open Offer Shares comprised in your Basic Entitlement (as indicated in Box 4 of the Application Form) in Box 6 and write the number of Excess Shares for which you would like to apply in Box 7. You should then add the totals in Boxes 6 and 7 and insert the total number of Open Offer Shares for which you would like to apply in Box 8. For example, if you have a Basic Entitlement for 800 Open Offer Shares but you want to apply for 900 Open Offer Shares in total, then you should write '800' in Box 6, '100' in Box 7 and '900' in Box 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, "900") by 6.75 pence, which is the price in Sterling of each Open Offer Share (giving you an amount of £60.75 in this example). You should write this amount in Box 9. You should then return your Application Form by post or by hand (during normal office hours only) to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received by them by no later than 11:00 a.m. on 15 June 2020, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be dispatched to you, at your own risk, on 29 June 2020.

**5 I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part 3 (*Terms and Conditions of the Open Offer*) of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Basic Entitlement and (ii) how to apply for Open Offer Shares in excess of their Basic Entitlement under the Excess Application Facility provided they choose to take up their Basic Entitlement in full and should contact them should they not receive this information.



**6 I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 28 May 2020 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 28 May 2020 but were not registered as the holders of those shares at the close of business on 28 May 2020; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Receiving Agents Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**7 Can I trade my Open Offer Entitlement?**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Basic Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), Basic Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Basic Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer Shares are not being underwritten.

**8 What if I change my mind?**

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agents, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied.

**9 What if the number of Open Offer Shares to which I am entitled is not a whole number; am I entitled to fractions of Open Offer Shares?**

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

**10 I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 6.00 p.m. 28 May 2020, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. However, notwithstanding the above, you should not contact the buyer if he is located or resident in, is a citizen of, or has a registered office in a Restricted Jurisdiction. If you sell any of your Existing Ordinary Shares on or after 29 May 2020, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**11 I hold my Existing Ordinary Shares in certificated form. How do I pay?**

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Computershare Investor Services Plc re Kropz plc Open Offer A/C." and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp to the back of the cheque. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

**12 Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

**13 I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form together with the monies in the appropriate form, by post or by hand (during normal office hours only) to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**14 I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

The Receiving Agents must receive the Application Form by no later than 11:00 a.m. on 15 June 2020, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

**15 How do I transfer my entitlements into the CREST system?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

**16 I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?**

It is expected that the Receiving Agents will post all new share certificates on 29 June 2020.

**17 If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?**

If you bought your Existing Ordinary Shares after the Record Date but before the ex-entitlement date, you are likely to be able to participate in the Open Offer in respect of such Ordinary Shares.

**18 Will I be taxed if I take up my entitlements?**

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

## **19 What should I do if I live or am located outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live or are located and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located or resident in the United States or any other Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 (*Terms and Conditions of the Open Offer*) of this document.

## **20 Further assistance**

Please call Computershare on 0370 707 4040. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services Plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

