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13 May 2020

**Kropz Plc**  
**(“Kropz” or the “Company”)**

**Equity Facility, Proposed Placing and Open Offer**  
**and**  
**General Meeting Notice**

Kropz Plc (AIM: KRPZ), an emerging African phosphate explorer and developer, announces it has entered into a conditional convertible equity facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC Fund, the Company’s major shareholder (“**Equity Facility**”). The Company also intends to undertake an equity placing to existing and new institutional investors (“**Placing**”) and an open offer to existing shareholders (“**Open Offer**”) to raise up to a further US\$ 7 million, before expenses (“**Fundraising**”) following completion of the Equity Facility. The proceeds of the Fundraising and the Equity Facility will be used to bring the Company’s Elandsfontein phosphate project, located in South Africa, into production, advance the new feasibility study at its Hinda project in the Republic of Congo, and for general working capital purposes.

**HIGHLIGHTS**

**Equity Facility, Proposed Placing and Open Offer**

- Equity Facility commitment of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million (conversion rate is subject to a maximum fixed rate of US\$1= 17 ZAR) provided by ARC Fund, which can be drawn down at the discretion of Kropz (subject to Kropz shareholder approval at the General Meeting);
- Repayment of the Equity Facility and any interest thereon will be in the form of conversion into ordinary shares in the Company and issued to ARC Fund, at a conversion price of 6.75 pence per Ordinary Share (“**Equity Facility Shares**”) each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1=0.86 GBP;
- First quarterly draw-down expected on 10 June 2020 for US\$ 8 million with conversion into Equity Facility Shares expected to take place immediately, and quarterly thereafter;
- Further Placing and Open Offer with new and existing shareholders of the Company of up to US\$ 7 million before expenses at a price of 6.75 pence per share, the same as the conversion price for the Equity Facility Shares;

- The Open Offer will be open to all existing shareholders. Further details will be sent out in a circular to be posted to shareholders following the shareholder meeting. ARC Fund intends to subscribe for an amount of US\$ 2 million in the Open Offer;
- The Equity Facility will be accompanied by a bank guarantee from one of ARC Fund's banks (the "**ARC Guarantee**") which is in agreed form, for up to a maximum exposure of US\$ 40 million (not exceeding a maximum of ZAR 680 million) provided to Kropz Elandsfontein (Pty) Ltd ("**Kropz Elandsfontein**"), of which the Company holds a 74 per cent. interest. Kropz will reimburse the ARC Fund for the costs of the ARC Guarantee through the issue of new Ordinary Shares issued at 6.75 pence per Ordinary Share to be issued at the same time as the quarterly drawdown and conversion of the Equity Facility;
- The Equity Facility will be secured on the shares which Kropz Plc holds in Cominco Resources Ltd ("**Share Charge**"). The Equity Facility is conditional on the entering into the Share Charge, which will be entered into before the General Meeting;
- Any proceeds raised above US\$ 40 million will be utilised by the Company to advance the new feasibility study for Hinda and for general working capital; and
- The Placing and Open Offer, and the drawdowns of the Equity Facility are conditional on shareholder approval which is being sought from the Company's shareholders at a general meeting to be held in Tunbridge Wells on 29 May 2020 ("**General Meeting**").

### **Restructured BNP Facility**

- Kropz Elandsfontein and BNP Paribas SA ("**BNP**") are currently in discussions with respect to the proposed entry into an amendment and restatement agreement pursuant to which Kropz Elandsfontein and BNP would agree to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time), whereby BNP agreed to make available to Kropz Elandsfontein a credit facility of up to US\$ 30 million ("**Proposed BNP Facility Amendment Agreement**"). The facility has been fully drawn. The Proposed BNP Facility Amendment Agreement would *inter alia* extend the final repayment date to Q3 2024, with capital repayments expected to commence in Q4 2022 and interest rate of 6.5% US plus LIBOR, up to project completion and 4.5% US plus LIBOR thereafter; and
- BNP has received credit approval for the Proposed BNP Facility Amendment Agreement, subject to satisfactory documentation, due diligence and conditions precedent.

### **Notice of General Meeting and Irrevocable Undertakings**

- The General Meeting will be held on 29 May 2020 at Suite 4F, Easistore Building, Longfield Road, North Farm Estate, Tunbridge Wells, TN2 3EY, United Kingdom;
- As a result of government measures in respect of COVID-19, shareholders should not attend in person and are strongly encouraged to submit a form of proxy appointing the chair of the General Meeting as their proxy. Shareholders who do seek to attend the General Meeting will not be admitted to the meeting;
- A copy of the circular will be available on the Company's website;
- The Company is proposing at the General Meeting, resolutions to give the Company's directors authority to allot and issue, on a non-pre-emptive basis, shares in the Company to meet the full demand under the Equity Funding, Placing and Open Offer (these are in addition to the authorities granted at the previous Annual General Meeting); and
- The Company has received irrevocable undertakings from shareholders holding 69.83 per cent. of the Company's issued share capital to vote in favour of the resolutions proposed.

### **Elandsfontein**

- Kropz Elandsfontein has awarded the Engineering, Procurement, Construction and Management contract to DRA Projects SA (Pty) Ltd, a diversified global engineering, project delivery and operations management group; and
- Assuming the drawdowns of the Equity Facility and Fundraising are approved at the General Meeting, the target date for commercial production at Elandsfontein will remain unchanged at the revised date of Q4 2021.

**Mark Summers, Interim CEO of Kropz, commented:**

*“I am pleased to report today’s Equity Facility made available by the ARC Fund, our major shareholder, and the proposed Placing and Open Offer. The proceeds raised, alongside the Equity Facility, will be used to bring Elandsfontein into production and advance the new feasibility study at Hinda.”*

**For further information visit [www.kropz.com](http://www.kropz.com) or contact:**

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**About Kropz**

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.

**Equity Facility, Proposed Placing and Open Offer**

Kropz's major shareholder, ARC Fund, has committed to provide the conditional Equity Facility of 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. The Equity Facility will be accompanied by the ARC Guarantee, not exceeding ZAR 680 million provided to Kropz Elandsfontein. It must be noted that the majority of the capital and operational expenditure of Kropz Elandsfontein is incurred in ZAR. The Equity Facility will be drawn down on a quarterly basis at the discretion of Kropz, subject to shareholder approval at the General Meeting. The first quarterly drawn down is expected to take place on 10 June 2020 and quarterly thereafter.

The Equity Facility is convertible following a drawdown into newly issued ordinary shares of 0.1 pence each ("**Ordinary Shares**") in the capital of the Company ("**Equity Shares**") at a fixed price of 6.75 pence per Ordinary Share (the "**Conversion Price**") and a fixed exchange rate of US\$ 1= GBP 0.86 at each quarterly draw-down. Following a conversion, the Company will apply for the Equity Shares to be admitted to trading on AIM.

The first quarterly drawdown in June will also be used to repay the capital element of the fully drawn ZAR 30 million (approximately US\$ 1.98 million) loan facility from ARC Fund announced on 26 February 2020, as set out in the loan facility. Interest of ZAR 681,710 (approximately US\$ 40,101) will be settled at that date in cash by Kropz Elandsfontein to ARC.

The Equity Facility will bear interest at the aggregate of 6.5 per cent. and one-month LIBOR ("**Interest**") in the event that a conversion does not occur. In certain events of default by the Company or the Company not having sufficient share authorities in place to permit the issue of Ordinary Shares on a conversion, ARC Fund may elect to accelerate repayment of any sums drawn under the Equity Facility together with accrued interest and a further default rate of interest of 4 per cent., such that such sums are immediately due and payable. It is the Company's intention to have drawdown and conversion occur together on the quarterly schedule thereafter.

In addition to the Equity Facility, Kropz is intending to launch the Placing and Open Offer of up to US\$ 7 million before expenses. The Placing and Open Offer price will be the same as the Conversion Price of 6.75 pence per share. Up to US\$ 5 million proceeds from the Placing and Open Offer will be used to advance the new feasibility study at Hinda and to provide general working capital, with any further sums raised being applied to Elandsfontein and thereby reducing the amounts which the Company would potentially draw down under the Equity Facility.

The Open Offer for approximately GBP 3.44 million (approximately US\$ 4 million) will be available to all qualifying shareholders, allowing them to subscribe in proportion to their existing shareholding. The ARC Fund intends to subscribe for US\$ 2 million in the Open Offer.

The Company is also offering a firm Placing to existing and new investors, of up to US\$ 3 million.

The Placing and Open Offer, and the drawdowns of the Equity Facility, are conditional on shareholder approval which is being sought from the Company's shareholders at the General Meeting.

## **Elandsfontein**

Confirming the announcements of 14 February 2020, the latest metallurgical test work on the Elandsfontein phosphate mine (the "**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 Elandsfontein phosphate mine processing plant (the "**Plant**") will produce a final saleable concentrate to expected specification of 68 per cent. BPL

(approximately 31 per cent.  $P_2O_5$ ) using a flotation configuration of direct followed by reverse, flotation circuit. This type of circuit has been successfully employed throughout the 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 the Test Work together with newly identified 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, debt repayments and capital expenditure.

### **Hinda and Aflao**

Kropz has completed a competitive tender for an updated feasibility study for its currently 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 will 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 the project's other shareholders regarding the implementation of this decision, which may include other shareholders taking up the Company's interest. The Company will not be providing any further funding towards Aflao.

### **Notice of General Meeting and Irrevocable Commitments**

The General Meeting will be 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.

On 26 March 2020 the UK Parliament passed legislation prohibiting, among other things, public gatherings of more than two people, which was to take effect immediately. The only exceptions to these restrictions are where the gathering is of people who live together or where the gathering is "essential for work purposes". The board does not believe that attendance by a shareholder at the General Meeting is considered to meet this criteria.

The board therefore urges shareholders to comply with the UK Government's instructions. The board will ensure that a quorum of two shareholders is present at the General Meeting to allow it to take place and for the proxy votes to be exercised. In order that any proxy votes of those shareholders who choose not to attend are fully reflected in the voting on the resolutions, the chair of the meeting will direct that voting on all resolutions set out in the notice of meeting will take place by way of a poll. Under the Company's articles of association, votes on a poll may be given personally, by a corporate representative or by proxy. Every shareholder who is present by proxy shall have one vote for each share held by them.

Shareholders are therefore strongly recommended to submit a Form of Proxy appointing the chair of the General Meeting as their proxy. Shareholders will not receive a hard copy form of proxy for the

general meeting in the past. Instead, they are able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). Proxy votes must be received no later than 11 a.m. on 27 May 2020.

The board understands that beyond voting on the formal business of the meeting, the general meeting also serves as a forum for shareholders to raise questions and comments to the board. Therefore, if shareholders have any questions or comments relating to the business of the meeting that they would like to ask the board then they are asked to submit those questions in writing via email to [mark@kropz.com](mailto:mark@kropz.com) no later than 11 a.m. on 27 May 2020. The board will publish a summary of any questions received together with a written response on the Company's website as soon as practicable after the conclusion of the general meeting. Only questions from registered shareholders of the Company will be accepted.

A copy of the circular will shortly be available for the purposes of AIM Rule 26 on the Company's website at [www.kropz.com](http://www.kropz.com).

An announcement will be made should the measures being implemented by the United Kingdom Government prevent the holding of the meeting in accordance with the notice set out at the end of this document.

### **Board Recommendation and Irrevocable Commitments**

The board believes the resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole. Accordingly, the board unanimously recommends that Shareholders vote in favour of the resolutions. The Company has received irrevocable undertakings from shareholders holding 69.83 per cent. of the Company's issued share capital to vote in favour of the resolutions proposed in order to provide the Company with the authority to allot and issue the Equity Facility Shares, Placing Shares and Open Offer Shares.

It is noted that, both before and after the Equity Funding, the Placing and the Open Offer, on an aggregate basis, ARC Fund and Kropz International S.a.r.l. ("**Kropz International**") will continue to hold more than 50 per cent. of the voting rights in the Company.

### **Related Party Transaction**

The entering into the Equity Facility and restatement of Kropz Elandsfontein shareholder agreements to implement the Equity Facility with ARC Fund, together with the agreed form of the associated ARC Guarantee to Kropz Elandsfontein and reimbursement of costs of the ARC Guarantee to ARC Fund, is a related party transaction ("**Transaction**") pursuant to Rule 13 of the AIM Rules. Machiel Reyneke is a director of the Company and the representative of ARC Fund. Further, as noted below, ARC Fund and Kropz International are treated as acting in concert for the purposes of the City Code on Takeovers and Mergers (the "**Code**") and have individual and aggregate interests in the Ordinary Shares as set out above. Mike Nunn, a director of the Company, is the beneficial owner of Kropz International. Accordingly, Mr Reyneke and Mr Nunn have not been involved in the approval of the Transaction by the Company's board.

The directors of the Company who are considered independent for the purposes of the Transaction, having consulted with the Company's nominated adviser, consider the terms of the Transaction to be fair and reasonable insofar as the Company's shareholders are concerned.

### **Concert Parties and Impact on Shareholdings**

As noted in the Company's AIM admission document, ARC Fund and Kropz International are treated as acting in concert for the purposes of the Code and have individual and aggregate interests in the Ordinary Shares as set out in the table below. It is noted that, both before and after the closing of the

Equity Facility, Placing and Open Offer, on an aggregate basis, ARC Fund and Kropz International hold and will continue to hold more than 50 per cent. of the Ordinary Shares and voting rights in the Company. On a standalone basis ARC Fund, through its option with Kropz International, currently has a fully diluted interest of 50.5 per cent. of the Company (see footnote 3 below).

### Maximum Interests in Ordinary Shares<sup>(1)</sup>

	Existing ordinary shares		Maximum no. of shares to be issued pursuant to Equity Facility, Placing and Open Offer <sup>(1)</sup>		Maximum shareholdings following Equity Facility, Placing and Open Offer <sup>(1)</sup>	
	No.	%	No.	No.	%	
ARC Fund <sup>(2)(3)</sup>	139,600,912	49.3	540,317,772	679,918,684	81.6	
Kropz International S.a.r.l <sup>(2)(4)</sup>	54,933,474	19.4	9,878,300	64,811,774	7.8	
<b>Concert Party</b>	<b>194,534,386</b>	<b>68.6</b>	<b>550,196,072</b>	<b>744,730,458</b>	<b>89.3</b>	

(1) Assumes for illustrative purposes that the Equity Facility is fully drawn, that ARC Fund subscribes for an amount equal to US\$2 million in the Placing and Open Offer, that Kropz International subscribes for its full entitlement under the Open Offer, and that there are no other participants in the Placing or Open Offer. The fee payable by ARC pursuant to the ARC Guarantee of 1.75 per cent. per annum, the cost of which is repaid to ARC by Kropz, is assumed to be paid to ARC by Kropz via the issue of additional new ordinary shares per the Company's intended drawdown schedule.

(2) ARC Fund and Kropz International are deemed to be acting in concert as defined in the Code.

(3) Kropz International has undertaken to ARC Fund to transfer to it such number of Ordinary Shares for nil consideration as are needed to ensure ARC Fund shareholding is above 50.5 per cent. (the "Option"). As a consequence of this, under the arrangements between ARC Fund and Kropz International outlined in the Admission Document, Kropz International agreed not to vote 20,000,000 Ordinary Shares it holds for a period of 12 months following Kropz's admission to trading on AIM on 30 November 2018, due to the lock-ins provided by Kropz International at that time. This agreement has subsequently been extended until 30 November 2020 and will remain in effect until the earlier of this date, or the exercise of the Option.

(4) Kropz International and ARC Fund have entered into an arrangement pursuant to which Kropz International has granted to ARC Fund a call option over 50 per cent. of its shareholdings. The call option over Kropz International's Ordinary Shares can be exercised by ARC Fund if the value of ARC Fund's shareholding on the third anniversary of Admission is 20 per cent. lower than its value on IPO on 30 November 2018. The call option has an alternative settlement of cash or assets, if the transfer of the Ordinary Shares would require the transferee to make a Rule 9 offer for the Company pursuant to the City Code.

(5) Mike Nunn, a director of Kropz, holds his beneficial interest in Kropz through Kropz International.

(6) Exchange rate used throughout is the exchange rate fixed in the ARC facility of US\$ 1= GBP 0.86 and US\$ 1= ZAR 17.

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**ENDS**