

**KROPZ PLC**

Registered number 11143400

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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**Kropz plc (“Kropz”, the “Company”) and its subsidiaries (the “Group”)  
Unaudited Half Year Results for the Six Months ended 30 June 2023**

Kropz plc (AIM: KRPZ), an emerging African phosphate developer and producer, announces its unaudited results for the six months ended 30 June 2023.

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

## **FINANCIAL AND OPERATIONAL HIGHLIGHTS**

### **Operational highlights**

As the Company entered the new financial period it started with the first sales being recorded from the trial production phase. The group recorded revenue of US\$ 14.1 million for the six months ended 30 June 2023.

During the first six months of the year, the Company faced significant challenges due to unprecedented rainfall in the Western Cape region. The heavy and persistent rains resulted in severely wet mining conditions, posing obstacles to our operations. To address this issue, the Company has undertaken various measures, with a primary focus on increasing in-pit drainage to alleviate the waterlogged conditions in our mining areas and implementing ore stockpiling and blending strategies.

The extent of the ultra-fines (natural slimes) in the ore encountered has also limited our production throughput. In response, Elandsfontein is making strategic investments in new equipment that will enable the plant to more effectively handle and process the challenging slimes material. Elandsfontein aims to increase its production throughput by more than 40% and enable the achievement of steady state production.

In addition to addressing the wet mining conditions, Elandsfontein continues separating and stockpiling the hard bank material encountered in the ore. As the hard bank material is phosphate rich and stockpiled, the Company has begun a process to analyse the hard bank material to identify the appropriate method of mining and processing to extract phosphate.

The Elandsfontein mine is still in its trial production phase and further challenges can be expected as it progresses towards full production.

### **Key financial indicators**

- The first sales revenues have been recognised by Kropz Elandsfontein (Pty) Ltd (“Elandsfontein”) of US\$ 14.1 million for the six months ended 30 June 2023 (period ended 30 June 2022: nil);
- While the Company is still ramping up to steady state production a gross loss has been recognised in the period due to discounted sales prices as a new market entrant and operating below full production level resulting in a cost per tonne higher than will be expected once in full production;
- Property, plant, equipment and exploration assets carrying value is US\$ 64.2 million as at 30 June 2023 (31 December 2022: US\$ 69.0 million);
- Cash at 30 June 2023 of US\$ 2.1 million (31 December 2022: US\$ 2.1 million);
- Shareholder loans and derivative at 30 June 2023 of US\$ 66.2 million (31 December 2022: US\$ 55.1 million);
- Trade and other payables at 30 June 2023 of US\$ 5.4 million (31 December 2022: US\$ 7.3 million); and
- In March 2023, Kropz Elandsfontein secured a further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facility with The ARC Fund (“ARC”) (“Loan 1”) to meet immediate cash requirements at Kropz Elandsfontein. ZAR 225 million has been drawn by 30 June 2023. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days’ notice. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly.

### **Key corporate and operational developments during the period**

#### **Corporate**

- As announced on 16 January 2023, Kropz appointed Louis Loubser to the board of the Company as Chief Executive Officer (“CEO”) and executive director;

- The third drawdown on the ZAR 550 Million Equity Facility of ZAR 60 million (approximately US\$ 3.5 million) occurred on 25 January 2023; and
- The fourth drawdown on the ZAR 550 Million Equity Facility of ZAR 40 million (approximately US\$ 2.2 million) occurred on 27 February 2023.

### **Elandsfontein**

- First bulk shipment and sale have been recorded with a total of 130,000 tonnes of phosphate concentrate sales in the first half of 2023 from Kropz Elandsfontein, Elandsfontein is managing to achieve better prices in the market as quality and market reputation improves.

### **Hinda**

- The Company has started to identify potential funding solutions for the development of Hinda;
- Continued engagement with local government regarding project development; and
- Reduced sized project is currently being assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it.

### **Key developments post the period end**

#### **Corporate**

- The Company previously announced that it is in the process of refinancing the BNP loan facility (outstanding amount US\$ 18,750,000) and that a replacement loan was expected to be in place in the third quarter of 2023, before expiry of the facility. Discussions continue with potential lenders regarding a potential replacement loan and it is now expected that a replacement loan will be in place by the end of 2023 and the Company is in discussion with BNP to extend its waiver period in line with this timetable.

### **Elandsfontein**

- While several sales have been recorded in 2023, including a further 63,900 tonnes in the current quarter, sales are below forecast, due to mine production having been affected by recent unprecedented seasonal rains;
- A fifth and final drawdown on Loan 1 of ZAR R60 million was made on 17 August 2023; and
- As announced on 14 September 2023, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 250 million (approximately US\$ 13.2 million) of bridge loan facility ("Loan 2") to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 155 million (approximately US\$ 8 million) was made on 18 September 2023. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts are outstanding under the loan, together with interest thereon, are not repaid within 6 months from the first utilisation date, the interest rate will be increased with an additional 2%.

### **Hinda**

- The reduced sized project continues to be assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it;
- Good progress is continuing on the community project;
- The coreshed construction is continuing and the 1st phase verification of the status of the equipment stored in containers, before transfer to site; and
- The situation in the country appears to be under control following recent rumours of a coup against President Denis Nguesso. The local government have denied these rumours. The Company are continuing to assess the situation and the safety of employees in the country remains our top priority.

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

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**About Kropz plc**

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

|                                                        |       | 30 June<br>2023       | 31 December<br>2022 |
|--------------------------------------------------------|-------|-----------------------|---------------------|
|                                                        | Notes | Unaudited<br>US\$'000 | Audited<br>US\$'000 |
| <b>Non-current assets</b>                              |       |                       |                     |
| Property, plant, equipment and mine development        | 8     | 64,284                | 68,965              |
| Exploration assets                                     | 9     | 43,359                | 42,415              |
| Other financial assets                                 |       | 783                   | 860                 |
|                                                        |       | <u>108,426</u>        | <u>112,240</u>      |
| <b>Current assets</b>                                  |       |                       |                     |
| Inventories                                            |       | 5,602                 | 3,273               |
| Trade and other receivables                            |       | 948                   | 1,857               |
| Cash and cash equivalents                              |       | 2,078                 | 2,120               |
|                                                        |       | <u>8,628</u>          | <u>7,250</u>        |
| <b>TOTAL ASSETS</b>                                    |       | <u>117,054</u>        | <u>119,490</u>      |
| <b>Current liabilities</b>                             |       |                       |                     |
| Trade and other payables                               |       | 5,413                 | 7,284               |
| Shareholder loans and derivative                       | 10    | 36,232                | -                   |
| Other financial liabilities                            | 11    | 19,241                | 26,808              |
| Current taxation                                       |       | 626                   | 597                 |
|                                                        |       | <u>61,512</u>         | <u>34,689</u>       |
| <b>Non-current liabilities</b>                         |       |                       |                     |
| Shareholder loans and derivative                       | 10    | 29,963                | 55,102              |
| Provisions                                             |       | 2,500                 | 2,697               |
|                                                        |       | <u>32,463</u>         | <u>57,799</u>       |
| <b>TOTAL LIABILITIES</b>                               |       | <u>93,975</u>         | <u>92,488</u>       |
| <b>NET ASSETS</b>                                      |       | <u>23,079</u>         | <u>27,002</u>       |
| <b>Shareholders' equity</b>                            |       |                       |                     |
| Share capital                                          |       | 1,212                 | 1,212               |
| Share premium                                          |       | 194,063               | 194,063             |
| Merger reserve                                         |       | (20,523)              | (20,523)            |
| Foreign exchange translation reserve                   |       | (11,795)              | (11,195)            |
| Share-based payment reserve                            |       | 299                   | 271                 |
| Accumulated losses                                     |       | (116,754)             | (116,972)           |
|                                                        |       | <u>46,502</u>         | <u>46,856</u>       |
| Total equity attributable to the owners of the Company |       | <u>46,502</u>         | <u>46,856</u>       |
| Non-controlling interests                              |       | (23,423)              | (19,854)            |
|                                                        |       | <u>23,079</u>         | <u>27,002</u>       |

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

|                                                                       |       | Six months<br>ended<br>30 June<br>2023<br>Unaudited<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>Unaudited<br>US\$'000 |
|-----------------------------------------------------------------------|-------|-----------------------------------------------------------------|-----------------------------------------------------------------|
|                                                                       | Notes |                                                                 |                                                                 |
| Revenue                                                               | 12    | 14,053                                                          | -                                                               |
| Cost of Sales                                                         |       | (16,436)                                                        | -                                                               |
| <b>Gross loss</b>                                                     |       | <b>(2,383)</b>                                                  | <b>-</b>                                                        |
| Other income                                                          |       | 11                                                              | 500                                                             |
| Selling and distribution expenses                                     |       | (1,647)                                                         | -                                                               |
| Operating expenses                                                    |       | (2,159)                                                         | (4,796)                                                         |
| <b>Operating loss</b>                                                 |       | <b>(6,178)</b>                                                  | <b>(4,296)</b>                                                  |
| Finance income                                                        | 13    | 57                                                              | 85                                                              |
| Finance expense                                                       | 14    | (9,720)                                                         | (4,306)                                                         |
| Fair value gain / (loss) from derivative liability                    | 15    | 11,817                                                          | (7,637)                                                         |
| Impairment losses                                                     | 16    | -                                                               | (44,700)                                                        |
| <b>Loss before taxation</b>                                           |       | <b>(4,024)</b>                                                  | <b>(60,854)</b>                                                 |
| Taxation                                                              | 17    | -                                                               | -                                                               |
| <b>Loss for the period</b>                                            |       | <b>(4,024)</b>                                                  | <b>(60,854)</b>                                                 |
| <b>Profit / (loss) attributable to:</b>                               |       |                                                                 |                                                                 |
| Owners of the Company                                                 |       | 1,518                                                           | (46,794)                                                        |
| Non-controlling interests                                             |       | (5,542)                                                         | (14,060)                                                        |
|                                                                       |       | <b>(4,024)</b>                                                  | <b>(60,854)</b>                                                 |
| <b>Loss for the period</b>                                            |       | <b>(4,024)</b>                                                  | <b>(60,854)</b>                                                 |
| <b>Other comprehensive income:</b>                                    |       |                                                                 |                                                                 |
| <b>Items that may be subsequently reclassified to profit or loss:</b> |       |                                                                 |                                                                 |
| - Exchange differences on translating foreign operations              |       | 73                                                              | (3,636)                                                         |
| <b>Total comprehensive loss</b>                                       |       | <b>(3,951)</b>                                                  | <b>(64,490)</b>                                                 |
| <b>Profit / (loss) attributable to:</b>                               |       |                                                                 |                                                                 |
| Owners of the Company                                                 |       | 918                                                             | (50,081)                                                        |
| Non-controlling interests                                             |       | (4,869)                                                         | (14,409)                                                        |
|                                                                       |       | <b>(3,951)</b>                                                  | <b>(64,490)</b>                                                 |
| <b>Earnings per share attributable to owners of the Company:</b>      |       |                                                                 |                                                                 |
| Basic and diluted (US cents)                                          | 18    | 0.16                                                            | (5.09)                                                          |

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

**CONDENSED INTERM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

|                                                                       | Share<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Merger<br>reserve<br>US\$'000 | Foreign<br>currency<br>translation<br>reserve<br>US\$'000 | Share-<br>based<br>payment<br>reserve<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>attributable<br>to owners<br>US\$'000 | Non-<br>controlling<br>interest<br>US\$'000 | Total<br>equity<br>US\$'000 |
|-----------------------------------------------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------------------------------------|---------------------------------------------------|----------------------------------|------------------------------------------------|---------------------------------------------|-----------------------------|
| <b>Unaudited – six months ended 30 June 2023</b>                      |                              |                              |                               |                                                           |                                                   |                                  |                                                |                                             |                             |
| <b>Balance at 1 January 2023</b>                                      | 1,212                        | 194,063                      | (20,523)                      | (11,195)                                                  | 271                                               | (116,972)                        | 46,856                                         | (19,854)                                    | 27,002                      |
| Total comprehensive loss for the period                               | -                            | -                            | -                             | (600)                                                     | -                                                 | 1,518                            | 918                                            | (4,869)                                     | (3,951)                     |
| Share based payment charges                                           | -                            | -                            | -                             | -                                                         | 28                                                | -                                | 28                                             | -                                           | 28                          |
| Investment in non-redeemable preference shares of Kropz Elandsfontein | -                            | -                            | -                             | -                                                         | -                                                 | (1,300)                          | (1,300)                                        | 1,300                                       | -                           |
| <b>Transactions with owners</b>                                       | -                            | -                            | -                             | -                                                         | 28                                                | (1,300)                          | (1,272)                                        | 1,300                                       | 28                          |
| <b>Balance at 30 June 2023</b>                                        | <b>1,212</b>                 | <b>194,063</b>               | <b>(20,523)</b>               | <b>(11,795)</b>                                           | <b>299</b>                                        | <b>(116,754)</b>                 | <b>46,502</b>                                  | <b>(23,423)</b>                             | <b>23,079</b>               |
| <b>Unaudited – six months ended 30 June 2022</b>                      |                              |                              |                               |                                                           |                                                   |                                  |                                                |                                             |                             |
| <b>Balance at 1 January 2022</b>                                      | 1,194                        | 193,524                      | (20,523)                      | (7,807)                                                   | 1,197                                             | (45,626)                         | 121,959                                        | 5,778                                       | 127,737                     |
| Total comprehensive loss for the period                               | -                            | -                            | -                             | (3,287)                                                   | -                                                 | (46,794)                         | (50,081)                                       | (14,409)                                    | (64,490)                    |
| Issue of shares                                                       | 18                           | 503                          | -                             | -                                                         | -                                                 | -                                | 521                                            | -                                           | 521                         |
| Share options exercised                                               | -                            | 730                          | -                             | -                                                         | (730)                                             | -                                | -                                              | -                                           | -                           |
| Share based payment charges                                           | -                            | -                            | -                             | -                                                         | 119                                               | -                                | 119                                            | -                                           | 119                         |
| Investment in non-redeemable preference shares of Kropz Elandsfontein | -                            | -                            | -                             | -                                                         | -                                                 | (1,999)                          | (1,999)                                        | 1,999                                       | -                           |
| <b>Transactions with owners</b>                                       | <b>18</b>                    | <b>1,233</b>                 | <b>-</b>                      | <b>-</b>                                                  | <b>(611)</b>                                      | <b>(1,999)</b>                   | <b>(1,359)</b>                                 | <b>1,999</b>                                | <b>640</b>                  |
| <b>Balance at 30 June 2022</b>                                        | <b>1,212</b>                 | <b>194,757</b>               | <b>(20,523)</b>               | <b>(11,094)</b>                                           | <b>586</b>                                        | <b>(94,419)</b>                  | <b>70,519</b>                                  | <b>(6,632)</b>                              | <b>63,887</b>               |

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



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

|                                                               | Six months<br>ended<br>30 June<br>2023<br>Unaudited<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>Unaudited<br>US\$'000 |
|---------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| <b>Cash flows from operating activities</b>                   |                                                                 |                                                                 |
| Loss before taxation                                          | (4,024)                                                         | (60,854)                                                        |
| Adjustments for:                                              |                                                                 |                                                                 |
| Depreciation of property, plant and equipment                 | 369                                                             | 425                                                             |
| Amortisation of right-of-use assets                           | -                                                               | 18                                                              |
| Impairment losses                                             | -                                                               | 44,700                                                          |
| Share-based payment                                           | 21                                                              | 119                                                             |
| Interest income                                               | (57)                                                            | (85)                                                            |
| Interest expense                                              | 5,671                                                           | 2,414                                                           |
| Fair value (gain) / losses from derivative liability          | (11,817)                                                        | 7,637                                                           |
| Foreign currency exchange differences                         | 4,048                                                           | 1,884                                                           |
| Fair value (gain) / loss on game animals                      | (24)                                                            | 21                                                              |
| <b>Operating cash flows before working capital changes</b>    | <b>(5,813)</b>                                                  | <b>(3,721)</b>                                                  |
| Decrease / (Increase) in trade and other receivables          | 783                                                             | (478)                                                           |
| Increase in inventories                                       | (2,852)                                                         | (1,117)                                                         |
| (Decrease) / Increase in payables                             | (936)                                                           | 4,832                                                           |
| <b>Net cash flows used in operating activities</b>            | <b>(8,818)</b>                                                  | <b>(484)</b>                                                    |
| <b>Cash flows used in investing activities</b>                |                                                                 |                                                                 |
| Purchase of property, plant and equipment                     | (1,616)                                                         | (16,762)                                                        |
| Exploration and evaluation expenditure                        | (190)                                                           | (194)                                                           |
| Other financial asset                                         | (8)                                                             | 70                                                              |
| Interest received                                             | 57                                                              | 85                                                              |
| Transfers from restricted cash                                | -                                                               | 4,858                                                           |
| <b>Net cash flows used in investing activities</b>            | <b>(1,757)</b>                                                  | <b>(11,943)</b>                                                 |
| <b>Cash flows from financing activities</b>                   |                                                                 |                                                                 |
| Finance cost paid                                             | (1,345)                                                         | (1,072)                                                         |
| Shareholder loan received                                     | 20,183                                                          | 11,730                                                          |
| Repayment of lease liabilities                                | -                                                               | (14)                                                            |
| (Repayment) / Proceeds of Other financial liabilities         | (7,520)                                                         | 25                                                              |
| Issue of ordinary share capital                               | -                                                               | 554                                                             |
| <b>Net cash flows from financing activities</b>               | <b>11,318</b>                                                   | <b>11,223</b>                                                   |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>743</b>                                                      | <b>(1,204)</b>                                                  |
| Cash and cash equivalents at beginning of the period          | 2,120                                                           | 2,461                                                           |
| Foreign currency exchange losses on cash                      | (785)                                                           | (250)                                                           |
| <b>Cash and cash equivalents at end of the period</b>         | <b>2,078</b>                                                    | <b>1,007</b>                                                    |

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

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **1. General information**

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

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

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

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the AIM rules and in accordance with the accounting policies of the consolidated financial statements for the year ended 31 December 2022. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report. The statutory financial statements for the year ended 31 December 2022 were prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under the International Financial Reporting Standards (“IFRS”). They have been filed with the Registrar of Companies. The auditors’ reported on those financial statements was unqualified but included a material uncertainty related to going concern.

The interim consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies. They are presented in United States Dollars, the presentation currency of the Group and figures have been rounded to the nearest thousand.

The interim risk assessment is consistent with the assessment of the annual financial report for 31 December 2022.

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

The interim financial information was approved and authorised for issue by the Board of Directors on 27 September 2023.

### **3. Going concern**

During the six months ended 30 June 2023, the Group incurred a loss of US\$ 4 million (six months ended 30 June 2022: US\$60.9 million) and experienced net cash outflows from operating activities. Cash and cash equivalents totalled US\$ 2.1 million as at 30 June 2023 (31 December 2022: US\$ 2.1 million)

Elandsfontein is currently the Group’s only source of operating revenue. As Elandsfontein is still in trial production and still ramping up its operations an operating loss is also expected in the full year following the date of these accounts. The Group is consequently dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements and quarterly repayments on the BNP loan that cannot be met from existing cash resources and sales revenue in trial production phase.

The going concern assessment was performed using the Group’s 15-month forecast. The Group’s forecast cash flows are largely driven by Elandsfontein and are in line with the 31 December 2022 going concern assessment, the Elandsfontein Life of Mine plan (“LOM” or “mine plan”) used for the

going concern assessment only considers resources classified as measured and indicated, excluding any inferred resources, as per the updated Mineral Resource Estimate (“MRE”). As mining activities and further drilling work progress, Elandsfontein expects to reclassify more of the resources from inferred to either measured and indicated as announced on 10 January 2023.

Elandsfontein's forecast cashflows were estimated using market-based commodity prices, exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements over a 15-month period.

The forecast cashflows include a number of estimates which if the actual outcome were different could have a significant impact on the financial outcome of the Elandsfontein mine operations and the Group's funding needs.

The 15-month forecast assumes a refinancing in December 2023 to repay the BNP loan facility and provide working capital.

*Phosphate rock prices and grade:* Forecast phosphate rock prices are based on management's estimates of quality of production. The forecast selling prices are derived from forward price curves and long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources.

The first bulk shipment and sale was recorded in January 2023 with a total of 130,000 tonnes of phosphate concentrate sales in the first half of 2023 from Kropz Elandsfontein. Kropz is a new entrant to the phosphate market and has to date produced variable grade and has sold its shipments at a discount to prevailing market prices. As quality and market reputation improves, Elandsfontein is managing to achieve better prices in the market. The cashflow model assumes a discount to the prevailing market price for 31% P<sub>2</sub>O<sub>5</sub> phosphate concentrate for the period up to December 2024 largely due to variability in the grade of Elandsfontein's product being produced during its ramp-up phase and considering that Elandsfontein is a new market entrant. The mine plan forecasts market prices for all shipments from the end of 2024. The ability to achieve market rates on sales is largely dependent on Elandsfontein's ability to consistently produce 31% P<sub>2</sub>O<sub>5</sub> concentrate. Failing this, the Group may continue to suffer a discount to market rates.

*Phosphate recoveries:* Estimated production volumes are based on detailed LOM plans of the measured and indicated resource as defined in the MRE and take into account development plans for the mine agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

Estimated production volumes are subject to significant uncertainty given the ongoing ramp up. The production ramp-up has been delayed largely by the need to re-engineer parts of the fine flotation circuit proposed by the vendor. Mining and processing have also been affected by early unpredicted ore variability and lack of operator experience. The Company has begun a process to analyse the hard bank material to identify the appropriate method of mining and processing to extract phosphate. Also the Western Cape has experienced unprecedented rain this season which has led to severely wet mining conditions and has hindered ore delivery to the plant and concentrate production during the six-months to June 2023. This is being addressed by increased drainage. Production throughput is also being limited by the nature of slimes material and, the Company is investing in new equipment to seek to overcome this and aims to increase production throughput by more than 40%.

*Reserves and resources:* The LOM plan used for the impairment testing and going concern assessment only includes the measured and indicated resources as defined in the MRE. Excluding inferred resources limits the forecast production to only around 4 years. There was a significant reduction in the measured and indicated resource in the MRE issued in January 2023 as set out in the Strategic report in the Annual Report for the year ended 31 December 2022. The Directors believe that the inferred resources in the MRE are capable of being accessed giving a mine life of around 15 years, but this has not been taken into account in the cashflows. As drilling operations continue, and confidence improves, Management expects more of the total resource will be reclassified to measured and indicated.

*Exchange rates:* Foreign exchange rates are estimated with reference to external market forecasts. The assumed average long-term US dollar/ZAR exchange rate over LOM and for the forecast cashflows is ZAR18.50/USD.

*Operating cost:* Operating costs are estimated with reference to contractual and actual current costs adjusted for inflation. Key operating cost estimates are mine and plant operating costs and transportation and port costs. The forecast mine and plant costs were based on the contracted rates with the current mine and plant operators.

*Transportation costs:* Transnet has informed the Group that it may have to export some shipments through Cape Town in 2023 and 2024 which would lead to higher transportation cost to Cape Town. The transportation costs in the cashflows assume that 10% of 2023 and 2024 shipments are through Cape Town at the higher logistic cost. To date all sales have been exported through the port of Saldanha Bay. As production is still ramping up and the port access agreement with Transnet has not yet been signed, the actual operating costs may be higher than the estimates in the discounted cash flows.

The Group is dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements and quarterly repayments on the BNP loan that cannot be met from existing cash resources and sales revenue.

ARC Fund, on various occasions in the past provided funding to support the Group's operations. In March 2023, Kropz, Kropz Elandsfontein and the ARC Fund agreed to further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facilities to meet immediate cash requirements at Kropz Elandsfontein. In September 2023, Kropz Elandsfontein and ARC Fund signed a further ZAR 250 million (approximately US\$ 13.2 million) bridge loan facility to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 155 million (approximately US\$ 8 million) was made on 18 September 2023. Management has confirmed with ARC that they have no intention to call any outstanding loans over the next 12-months for cash repayment.

Management engages frequently with BNP regarding the capital repayment and refinancing of the BNP debt facility. The Company did not reach project completion as stipulated in the BNP facility agreement by 31 December 2022. Considering the delay in achieving sales, the Company also failed to fund the debt service reserve account as required. BNP have, to date, waived these requirements, preventing the Company from falling in default of its loan terms.

At the end of the waiver period, the bank has the contractual right to request the immediate repayment of the outstanding loan amount of US\$ 15,000,000. BNP has indicated their willingness to extend the waivers to December 2023. Kropz Elandsfontein has made all the capital and interest payments to BNP as required to the date of this report.

Based on the current cashflow forecast additional funding will be required over the 15 month forecast period.

Given that BNP Paribas is exiting South Africa, the Group was unable to refinance the existing loan with them. Significant progress has been made with the refinancing of the BNP loan facility and Management, at the date of this report, are in advanced discussions with several lenders to provide the required funding to repay the BNP debt facility and provide working capital and expects that a replacement loan will be in place in by 31 December 2023.

Based on the Group's current available reserves, recent operational performance, forecast production and sales and anticipated new borrowing based on discussions with a potential lenders, coupled with Management's track record to successfully raise additional funds as and when required, to meet its working capital and capital expenditure requirements, the Board have concluded that they have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and at least to December 2024.

For these reasons, the financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As there can be no guarantee that the required future funding can be raised in the necessary timeframe, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2022, except for the following amendments and revenue recognition and production start date which apply for the first time in 2023. However, none of the recent amendments to IFRS are expected to materially impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes).

#### **5. Revenue recognition**

The Group is principally engaged in the business of producing phosphate concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The Group has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

#### **6. Production start date**

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of the mine development. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "trial production" to "steady state production".

Some of the criteria used to identify the production start date include, but are not limited to:

- The percentage grade (phosphate concentrate) and volume of ore being mined is sufficiently economic and consistent with the plant design specifications;
- Ability to produce phosphate in saleable form (within specifications); and
- Ability to sustain ongoing production of phosphate.

When the mine moves into the steady state production, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for the costs that qualify for capitalisation relating to mining asset additions or

improvements, or mineable reserve development. It is also at this point that depreciation/amortisation commences.

## 7. Segmental information

### Operating segments

The Board of Directors consider that the Group has one operating segment, being that of phosphate mining and exploration. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

### Geographical segments

The Group operates in two principal geographical areas – South Africa and the RoC.

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

|                         | Revenues<br>US\$'000 | Non-<br>Current<br>Assets<br>US\$'000 |
|-------------------------|----------------------|---------------------------------------|
| <b>30 June 2023</b>     |                      |                                       |
| South Africa            | 14,053               | 65,032                                |
| Republic of Congo       | -                    | 43,394                                |
|                         | <u>14,053</u>        | <u>108,426</u>                        |
|                         |                      |                                       |
|                         | Revenues<br>US\$'000 | Non-<br>Current<br>Assets<br>US\$'000 |
| <b>31 December 2022</b> |                      |                                       |
| South Africa            | -                    | 69,795                                |
| Republic of Congo       | -                    | 42,445                                |
|                         | <u>-</u>             | <u>112,240</u>                        |

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

|                                          | 30 June<br>2023  | 30 June<br>2023                                              | 30 June<br>2023               | 31 Dec<br>2022   | 31 Dec<br>2022                                               | 31 Dec<br>2022                |
|------------------------------------------|------------------|--------------------------------------------------------------|-------------------------------|------------------|--------------------------------------------------------------|-------------------------------|
|                                          | Cost<br>US\$'000 | Accumulated<br>depreciation<br>and<br>impairment<br>US\$'000 | Carrying<br>value<br>US\$'000 | Cost<br>US\$'000 | Accumulated<br>depreciation<br>and<br>impairment<br>US\$'000 | Carrying<br>value<br>US\$'000 |
| <b>Buildings and infrastructure</b>      |                  |                                                              |                               |                  |                                                              |                               |
| Land                                     | 1,280            | (795)                                                        | 485                           | 1,418            | (795)                                                        | 623                           |
| Buildings                                | 8,883            | (5,028)                                                      | 3,855                         | 9,840            | (5,597)                                                      | 4,243                         |
| Capitalised road costs                   | 6,861            | (5,356)                                                      | 1,505                         | 7,600            | (5,709)                                                      | 1,891                         |
| Capitalised electrical sub-station costs | 2,977            | (2294)                                                       | 683                           | 3,297            | (2,445)                                                      | 852                           |
| <b>Machinery, plant and equipment</b>    |                  |                                                              |                               |                  |                                                              |                               |
| Critical spare parts                     | 1,750            | (893)                                                        | 857                           | 1,786            | (1,002)                                                      | 784                           |
| Plant and machinery                      | 85,857           | (47,711)                                                     | 38,146                        | 95,061           | (53,486)                                                     | 41,575                        |
| Water treatment plant                    | 2,264            | (1,167)                                                      | 1,097                         | 2,333            | (1,308)                                                      | 1,025                         |
| Furniture and fittings                   | 51               | (38)                                                         | 13                            | 56               | (41)                                                         | 15                            |
| Geological equipment                     | 71               | (47)                                                         | 24                            | 79               | (48)                                                         | 31                            |
| Office equipment                         | 27               | (27)                                                         | -                             | 30               | (28)                                                         | 2                             |
| Other fixed assets                       | 1                | (1)                                                          | -                             | 1                | (1)                                                          | -                             |
| Motor vehicles                           | 84               | (84)                                                         | -                             | 93               | (93)                                                         | -                             |
| Computer equipment                       | 75               | (49)                                                         | 26                            | 79               | (45)                                                         | 34                            |
| <b>Mine development</b>                  | <b>17,121</b>    | <b>(8,711)</b>                                               | <b>8,410</b>                  | <b>17,724</b>    | <b>(9,788)</b>                                               | <b>7,936</b>                  |

|                                 |                |                 |               |         |          |        |
|---------------------------------|----------------|-----------------|---------------|---------|----------|--------|
| <b>Stripping activity costs</b> | <b>20,127</b>  | <b>(11,132)</b> | <b>8,995</b>  | 22,257  | (12,485) | 9,772  |
| <b>Game animals</b>             | <b>188</b>     | <b>-</b>        | <b>188</b>    | 182     | -        | 182    |
| <b>Total</b>                    | <b>147,617</b> | <b>(83,333)</b> | <b>64,284</b> | 161,836 | (92,871) | 68,965 |

**Reconciliation of property, plant, equipment and mine development – Period ended 30 June 2023**

|                                          | <b>Opening<br/>Balance<br/>US\$'000</b> | <b>Additions<br/>US\$'000</b> | <b>Fair value<br/>gain<br/>US\$'000</b> | <b>Deprecia-<br/>tion<br/>charge<br/>US\$'000</b> | <b>Foreign<br/>exchange<br/>loss<br/>US\$'000</b> | <b>Closing<br/>balance<br/>US\$'000</b> |
|------------------------------------------|-----------------------------------------|-------------------------------|-----------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| <b>Buildings and infrastructure</b>      |                                         |                               |                                         |                                                   |                                                   |                                         |
| Land                                     | 623                                     | -                             | -                                       | -                                                 | (138)                                             | 485                                     |
| Buildings                                | 4,243                                   | -                             | -                                       | (15)                                              | (373)                                             | 3,855                                   |
| Capitalised road costs                   | 1,891                                   | -                             | -                                       | (237)                                             | (149)                                             | 1,505                                   |
| Capitalised electrical sub-station costs | 852                                     | -                             | -                                       | (101)                                             | (68)                                              | 683                                     |
| <b>Machinery, plant and equipment</b>    |                                         |                               |                                         |                                                   |                                                   |                                         |
| Critical spare parts                     | 784                                     | 142                           | -                                       | -                                                 | (69)                                              | 857                                     |
| Plant and machinery                      | 41,575                                  | 32                            | -                                       | (1)                                               | (3,460)                                           | 38,146                                  |
| Water treatment plant                    | 1,025                                   | 164                           | -                                       | -                                                 | (92)                                              | 1,097                                   |
| Furniture and fittings                   | 15                                      | -                             | -                                       | (2)                                               | -                                                 | 13                                      |
| Geological equipment                     | 31                                      | -                             | -                                       | (3)                                               | (4)                                               | 24                                      |
| Office equipment                         | 2                                       | -                             | -                                       | (2)                                               | -                                                 | -                                       |
| Other fixed assets                       | -                                       | -                             | -                                       | -                                                 | -                                                 | -                                       |
| Motor vehicles                           | -                                       | -                             | -                                       | -                                                 | -                                                 | -                                       |
| Computer equipment                       | 34                                      | 4                             | -                                       | (8)                                               | (4)                                               | 26                                      |
| <b>Mine development</b>                  | <b>7,936</b>                            | <b>1,161</b>                  | <b>-</b>                                | <b>-</b>                                          | <b>(687)</b>                                      | <b>8,410</b>                            |
| <b>Stripping activity costs</b>          | <b>9,772</b>                            | <b>36</b>                     | <b>-</b>                                | <b>-</b>                                          | <b>(813)</b>                                      | <b>8,995</b>                            |
| <b>Game animals</b>                      | <b>182</b>                              | <b>-</b>                      | <b>24</b>                               | <b>-</b>                                          | <b>(18)</b>                                       | <b>188</b>                              |
| <b>Total</b>                             | <b>68,965</b>                           | <b>1,539</b>                  | <b>24</b>                               | <b>(369)</b>                                      | <b>(5,875)</b>                                    | <b>64,284</b>                           |

**Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2022**

|                                          | <b>Opening<br/>Balance<br/>US\$'000</b> | <b>Additions<br/>US\$'000</b> | <b>Fair value<br/>loss<br/>US\$'000</b> | <b>Impair-<br/>ment<br/>US\$'000</b> | <b>Deprecia-<br/>tion<br/>charge<br/>US\$'000</b> | <b>Foreign<br/>exchange<br/>loss<br/>US\$'000</b> | <b>Closing<br/>balance<br/>US\$'000</b> |
|------------------------------------------|-----------------------------------------|-------------------------------|-----------------------------------------|--------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| <b>Buildings and infrastructure</b>      |                                         |                               |                                         |                                      |                                                   |                                                   |                                         |
| Land                                     | 1,515                                   | -                             | -                                       | (795)                                | -                                                 | (97)                                              | 623                                     |
| Buildings                                | 10,458                                  | -                             | -                                       | (5,747)                              | (33)                                              | (435)                                             | 4,243                                   |
| Capitalised road costs                   | 5,143                                   | -                             | -                                       | (2,522)                              | (527)                                             | (203)                                             | 1,891                                   |
| Capitalised electrical sub-station costs | 2,310                                   | -                             | -                                       | (1,137)                              | (229)                                             | (92)                                              | 852                                     |

|                                       |                |               |             |                 |              |                |               |
|---------------------------------------|----------------|---------------|-------------|-----------------|--------------|----------------|---------------|
| <b>Machinery, plant and equipment</b> |                |               |             |                 |              |                |               |
| Critical spare parts                  | 1,713          | 190           | -           | (1,046)         | -            | (73)           | 784           |
| Plant and machinery                   | 86,180         | 14,911        | -           | (55,775)        | (1)          | (3,740)        | 41,575        |
| Water treatment plant                 | 2,435          | 56            | -           | (1,366)         | -            | (100)          | 1,025         |
| Furniture and fittings                | 9              | 10            | -           | -               | (4)          | -              | 15            |
| Geological equipment                  | 20             | 18            | -           | -               | (6)          | (1)            | 31            |
| Office equipment                      | 11             | -             | -           | -               | (9)          | -              | 2             |
| Other fixed assets                    | -              | -             | -           | -               | -            | -              | -             |
| Motor vehicles                        | -              | -             | -           | -               | -            | -              | -             |
| Computer equipment                    | 24             | 24            | -           | -               | (12)         | (2)            | 34            |
| <b>Mine development</b>               | 18,938         | -             | -           | (10,227)        | -            | (775)          | 7,936         |
| <b>Stripping activity costs</b>       | 6,126          | 17,178        | -           | (13,035)        | -            | (497)          | 9,772         |
| <b>Game animals</b>                   | 217            | -             | (21)        | -               | -            | (14)           | 182           |
| <b>Total</b>                          | <b>135,099</b> | <b>32,387</b> | <b>(21)</b> | <b>(91,650)</b> | <b>(821)</b> | <b>(6,029)</b> | <b>68,965</b> |

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for US\$ 30 million (see Note 11). BNP has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings (Pty) Ltd ("Elandsfontein Land Holdings") as well as the share investments in those respective companies owned by Kropz SA (Pty) Ltd ("Kropz SA").

## 9. Intangible assets - exploration and evaluation costs

|                                      | 30 June<br>2023<br>US\$'000 | 31 December<br>2022<br>US\$'000 |
|--------------------------------------|-----------------------------|---------------------------------|
| <b>Capitalised exploration costs</b> |                             |                                 |
| Cost                                 | 43,359                      | 42,415                          |
| Amortisation                         | -                           | -                               |
| <b>Carrying value</b>                | <b>43,359</b>               | <b>42,415</b>                   |

### Reconciliation of exploration assets

|                                  | Opening<br>Balance<br>US\$'000 | Additions<br>US\$'000 | Disposals<br>US\$'000 | Foreign<br>exchange<br>Gain<br>US\$'000 | Closing<br>balance<br>US\$'000 |
|----------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------------------------|--------------------------------|
| <b>Period ended 30 June 2023</b> |                                |                       |                       |                                         |                                |
| Capitalised exploration costs    | 42,415                         | 199                   | -                     | 745                                     | 43,359                         |

### Reconciliation of exploration assets

|                                    | Opening<br>Balance<br>US\$'000 | Additions<br>US\$'000 | Disposals<br>US\$'000 | Foreign<br>exchange<br>loss<br>US\$'000 | Closing<br>balance<br>US\$'000 |
|------------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------------------------|--------------------------------|
| <b>Year ended 31 December 2022</b> |                                |                       |                       |                                         |                                |
| Capitalised exploration costs      | 44,631                         | 346                   | -                     | (2,562)                                 | 42,415                         |

The costs of mineral resources acquired and associated exploration and evaluation costs are not subject to amortisation until they are included in the life-of-the-mine plan and production has commenced.

Where assets are dedicated to a mine, the useful lives are subject to the lesser of the asset category's useful life and the life of the mine, unless those assets are readily transferable to another productive mine. In accordance with the requirements of IFRS 6, the Board of Directors assessed whether there were any indicators of impairment. No indicators were identified (refer to Note 16).



## 10. Shareholder loans and derivative liability

|                              | 30 June<br>2023<br>US\$'000 | 31 December<br>2022<br>US\$'000 |
|------------------------------|-----------------------------|---------------------------------|
| Shareholder loans – ARC Fund | 29,963                      | 17,010                          |
| Convertible debt – ARC Fund  | 21,066                      | 15,055                          |
| Derivative liability         | 15,166                      | 23,037                          |
|                              | <b>66,195</b>               | <b>55,012</b>                   |
| <b>Maturity</b>              |                             |                                 |
| Non-current                  | 29,963                      | 55,012                          |
| Current                      | 36,232                      | -                               |
| <b>Total</b>                 | <b>66,195</b>               | <b>55,012</b>                   |

### Shareholder loans - ARC Fund

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

### Convertible debt – ARC Fund

On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility") with ARC, the Company's major shareholder. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 200 Million Equity Facility, repayment of the ZAR 200 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into ordinary shares of 0.1 pence each ("Ordinary Shares") in the Company and issued to ARC, at a conversion price of 4.5058 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 September 2021, and at fixed exchange rate of GBP 1 = ZAR 20.24 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 200 Million Equity Facility which is 27 October 2026. The ZAR 200 Million Equity Facility is fully drawn at the date of this report.

As announced on 11 May 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 177 million ("ZAR 177 Million Equity Facility") with ARC. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 9.256 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 4 May 2022, and at fixed exchange rate of ZAR 1 = GBP 0.0504 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 177 Million Equity Facility which is 2 June 2027. The ZAR 177 Million Equity Facility is fully drawn at the date of this report.

As announced on 14 November 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 550 million ("ZAR 550 Million Equity Facility") with ARC. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. At any time during the term of the ZAR 550 Million Equity Facility, repayment of the ZAR 550 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 4.579 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 October 2022 and at fixed exchange rate of ZAR 1 = GBP 0.48824 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 550 Million Equity Facility which is 30 November 2027. The Company drew down a further ZAR 100 million during the 6-month period ending 30 June 2023, with ZAR 7.5 million remaining undrawn on the ZAR 550 Million Equity Facility at 30 June 2023.

### Derivative liability

It was determined that the conversion option embedded in the convertible debt equity facility be accounted for separately as a derivative liability. Although the amount to be settled is fixed in ZAR, when converted back to Kropz's functional currency will result in a variable amount of cash based on the exchange rate at the date of conversion. The value of the liability component and the derivative

conversion component were determined at the date of draw down using a Monte Carlo simulation. The debt host liability was bifurcated based on the determined value of the option. Subsequently, the embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss (refer to Note 21).

#### Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

### 11. Other financial liabilities

|                       | 30 June<br>2023<br>US\$'000 | 31 December<br>2022<br>US\$'000 |
|-----------------------|-----------------------------|---------------------------------|
| BNP Paribas ("BNP")   | 18,527                      | 26,298                          |
| Greenheart Foundation | 714                         | 510                             |
| <b>Total</b>          | <b>19,241</b>               | <b>26,808</b>                   |

#### BNP

A US\$ 30,000,000 facility was made available by BNP Paribas to Kropz Elandsfontein in September 2016.

In May 2020, Kropz Elandsfontein and BNP Paribas agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP Paribas facility amendment agreement extends inter alia the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5% plus SOFR, up to project completion and 4.5% plus SOFR thereafter.

BNP Paribas has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings as well as the share investments in those respective companies owned by Kropz SA.

The BNP loan is subject to covenant clauses. Kropz Elandsfontein did not reach project completion as stipulated in the agreement to be 31 December 2022 and failed to fund the Debt Service Reserve Account, however BNP Paribas has provided, a waiver to 30 September 2023. The outstanding balance is therefore presented as a current liability.

#### Greenheart Foundation

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

#### Fair value of other financial liabilities

The carrying value of the loans approximate their fair value.

### 12. Revenue

|                                    | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <b>Sales to region/Country</b>     |                                                    |                                                    |
| South Africa                       | 1,836                                              | -                                                  |
| Australia                          | 1,489                                              | -                                                  |
| Brazil                             | 4,933                                              | -                                                  |
| New Zealand                        | 1,968                                              | -                                                  |
| South Korea                        | 3,827                                              | -                                                  |
|                                    | <b>14,053</b>                                      | <b>-</b>                                           |
| <b>Timing of transfer of Goods</b> |                                                    |                                                    |
| Delivery to port of departure      | 14,053                                             | -                                                  |
|                                    | <b>14,053</b>                                      | <b>-</b>                                           |

All revenue from phosphate is recognised at a point in time when control transfers.

### 13. Finance income

|                 | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|-----------------|----------------------------------------------------|----------------------------------------------------|
| Interest income | 57                                                 | 85                                                 |
| <b>Total</b>    | <b>57</b>                                          | <b>85</b>                                          |

### 14. Finance expense

|                                                                       | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|-----------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Shareholder loans                                                     | 4,271                                              | 1,215                                              |
| Foreign exchange losses                                               | 4,049                                              | 1,892                                              |
| Bank debt                                                             | 1,343                                              | 1,057                                              |
| BNP Paribas – Debt modification present value adjustment amortisation | (104)                                              | (123)                                              |
| BNP Paribas amendment fee amortisation                                | 91                                                 | 108                                                |
| Finance leases                                                        | -                                                  | 3                                                  |
| Other                                                                 | 70                                                 | 154                                                |
| <b>Total</b>                                                          | <b>9,720</b>                                       | <b>4,306</b>                                       |

### 15. Fair value gain / (loss) from derivative liability

|                                                    | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Fair value gain / (loss) from derivative liability | 11,817                                             | (7,637)                                            |
| <b>Total</b>                                       | <b>11,817</b>                                      | <b>(7,637)</b>                                     |

The Company has entered into three convertible equity facilities with the ARC Fund. On 20 October 2021, the Company entered into the first a convertible equity facility of up to ZAR 200 million (“ZAR 200 Million Equity Facility”). The second convertible equity facility was entered into on 11 May 2022 of up to ZAR 177 million (“ZAR 177 Million Equity Facility”). On 14 November 2022, the Company entered into its third conditional convertible equity facility of up to ZAR 550 million (“ZAR 550 Million Equity Facility.”) with ARC Fund (refer to Note 10).

It was determined that the conversion option embedded in the convertible debt equity facility be accounted for separately as a derivative liability. Although the amount to be settled is fixed in ZAR, when converted back to Kropz’s functional currency will result in a variable amount of cash based on the exchange rate at the date of conversion. The value of the liability component and the derivative conversion component was determined at the date of draw down using a Monte Carlo simulation. The debt host liability was bifurcated based on the determined value of the option. Subsequently, the embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss (refer to Note 21).

## 16. Impairment losses

The following impairment loss was recognised in the six-month period ended 30 June 2022:

|                                                        | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|--------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Property, plant, equipment and mine development assets | -                                                  | 44,700                                             |
| <b>Total</b>                                           | <b>-</b>                                           | <b>44,700</b>                                      |

A bi-annual impairment assessment was performed and it was determined that no adjustment to the impairment provision for the period to 30 June 2023 is required. The impairment loss for the period to 30 June 2022 was recognised in relation to the Elandsfontein mine. The triggers for the impairment test were primarily related to the hard bank that was encountered in the pit, which necessitated further drilling.

## 17. Taxation

| Major components of tax charge                  | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|-------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <b>Deferred</b>                                 |                                                    |                                                    |
| Originating and reversing temporary differences | -                                                  | -                                                  |
| <b>Current tax</b>                              |                                                    |                                                    |
| UK tax in respect of current period             | -                                                  | -                                                  |
| <b>Total</b>                                    | <b>-</b>                                           | <b>-</b>                                           |

The Group had losses for tax purposes of approximately US\$ 51.9 million (31 December 2022: US\$ 57.5 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A net deferred tax asset arising from these losses has not been recognised as steady state production has not been reached.

## 18. Earnings per share

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

|                                                         | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|---------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Profit / (Loss) attributable to ordinary shareholders   | 1,518                                              | (46,794)                                           |
| Weighted average number of ordinary shares in Kropz plc | 926,718,223                                        | 920,069,356                                        |
| Basic and diluted profit / (loss) per share (US cents)  | <b>0.16</b>                                        | <b>(5.09)</b>                                      |

## 19. Related party transactions

Details of share issues and shareholder loans are explained in Notes 10 and 11. In addition, the following transactions were carried out with related parties:

### Related party balances

#### Loan accounts – Owed to related parties

|                              | 30 June<br>2023<br>US\$'000 | 31 December<br>2022<br>US\$'000 |
|------------------------------|-----------------------------|---------------------------------|
| Shareholder loans – ARC Fund | 29,963                      | 17,010                          |
| Convertible debt – ARC Fund  | 21,066                      | 15,055                          |
| Derivative liability         | 15,166                      | 23,037                          |
| Greenheart Foundation        | 714                         | 510                             |
| <b>Total</b>                 | <b>66,909</b>               | <b>55,612</b>                   |

### Related party balances

#### Interest paid to related parties

|              | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Six months<br>ended<br>30 June<br>2022<br>US\$'000 |
|--------------|----------------------------------------------------|----------------------------------------------------|
| ARC Fund     | 4,271                                              | 1,215                                              |
| <b>Total</b> | <b>4,271</b>                                       | <b>1,215</b>                                       |

## 20. Seasonality of the Group's business

With the unexpected record rainfall experienced in the Western Cape the mining plan was amended to consider higher rainfall in winter periods to minimise the effects of wet mining conditions. There are no other seasonal factors which materially affect the operations of any company in the Group.

## 21. Fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 30 June 2023.

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables;
- Trade payables;
- Restricted cash; and
- Cash and cash equivalents.

|                              | As at 30 June 2023             |                           | As at 31 December 2022         |                           |
|------------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|                              | Carrying<br>amount<br>US\$'000 | Fair<br>value<br>US\$'000 | Carrying<br>amount<br>US\$'000 | Fair<br>value<br>US\$'000 |
| <i>Financial Assets</i>      |                                |                           |                                |                           |
| Other financial assets       | 783                            | 783                       | 860                            | 860                       |
| <b>Total</b>                 | <b>783</b>                     | <b>783</b>                | <b>860</b>                     | <b>860</b>                |
| <i>Financial Liabilities</i> |                                |                           |                                |                           |
| Shareholder loans            | 51,029                         | 51,029                    | 32,065                         | 32,065                    |
| Derivative liability         | 15,166                         | 15,166                    | 23,037                         | 23,037                    |
| Other financial liabilities  | 19,241                         | 19,241                    | 26,808                         | 26,808                    |
| <b>Total</b>                 | <b>85,436</b>                  | <b>85,436</b>             | <b>81,910</b>                  | <b>81,910</b>             |

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

(i) Financial instruments Measured at Fair Value  
The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

(ii) Fair value hierarchy  
The fair value hierarchy consists of the following levels

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

|                         | Level 1<br>US\$'000 | Level 2<br>US\$'000 | Level 3<br>US\$'000 | Total<br>US\$'000 |
|-------------------------|---------------------|---------------------|---------------------|-------------------|
| <b>30 June 2023</b>     |                     |                     |                     |                   |
| Derivative liability    | -                   | -                   | 15,166              | 15,166            |
| <b>31 December 2022</b> |                     |                     |                     |                   |
| Derivative liability    | -                   | -                   | 23,037              | 23,037            |

There were no transfers between levels for recurring fair value measurements during the year.

(iii) Reconciliation: Level 3 fair value measurement

|                                               | Six months<br>ended<br>30 June<br>2023<br>US\$'000 | Year ended<br>31 December<br>2022<br>US\$'000 |
|-----------------------------------------------|----------------------------------------------------|-----------------------------------------------|
| <i>Derivative liability</i>                   |                                                    |                                               |
| Opening balance                               | (23,037)                                           | (2,656)                                       |
| Fair value at initial recognition             | (3,083)                                            | (31,852)                                      |
| Fair value gain recognised in profit and loss | 11,817                                             | 10,807                                        |
| Foreign exchange                              | (863)                                              | 664                                           |
| <b>Closing balance</b>                        | <b>(15,166)</b>                                    | <b>(23,037)</b>                               |

(iv) Valuation technique used to determine fair value

Derivative liability:

The fair value is calculated with reference to market rates using industry valuation techniques and appropriate models from a third-party provider. The Monte-Carlo model utilised includes a high level of complexity and the main inputs are share price volatility, risk margin, foreign exchange volatility and UK risk-free rate. A number of factors are considered in determining these inputs, including assessing historical experience but also considering future expectations. The determined fair value of the option is multiplied by the number of shares available for issue pursuant to the ZAR 200 Million Equity Facility, ZAR 177 Million Equity Facility and the ZAR 550 Million Equity Facility (refer to Note 10).

**Valuation results (as at 30 June 2023)**

| Facility         | Total loan amount<br>(ZAR) | Value per<br>share (p) | Number of<br>Shares | Total Value<br>(GBP) |
|------------------|----------------------------|------------------------|---------------------|----------------------|
| ZAR200m facility | 200,000,000                | 1.18                   | 219,272,938         | 2,594,239            |
| ZAR177m facility | 177,000,000                | 0.65                   | 96,378,566          | 621,771              |
| ZAR550m facility | 542,500,000                | 1.51                   | 578,445,513         | 8,744,119            |
| <b>Total</b>     |                            |                        | <b>894,097,017</b>  | <b>11,960,129</b>    |

**Sensitivity Valuation results (as at 30 June 2023) - Volatility  
Total Value**

| Facility         | Base volatility assumption | (GBP) - 100%                | Total Value                             |
|------------------|----------------------------|-----------------------------|-----------------------------------------|
|                  |                            | historical volatility (75%) | (GBP) - 50% historical volatility (38%) |
| ZAR200m facility | 63%                        | 4,443,173                   | 1,120,995                               |
| ZAR177m facility | 63%                        | 1,461,751                   | 125,010                                 |
| ZAR550m facility | 63%                        | 15,217,593                  | 3,765,510                               |
| <b>Total</b>     |                            | <b>21,122,517</b>           | <b>5,011,515</b>                        |

#### Sensitivity Valuation results (as at 30 June 2023) - Risk Margin

| Facility         | Base risk margin assumption | Total Value            | Total Value            |
|------------------|-----------------------------|------------------------|------------------------|
|                  |                             | (GBP) - 7% risk margin | (GBP) - 3% risk margin |
| ZAR200m facility | 5%                          | 2,727,344              | 2,463,408              |
| ZAR177m facility | 5%                          | 669,854                | 575,190                |
| ZAR550m facility | 5%                          | 9,192,309              | 8,301,860              |
| <b>Total</b>     |                             | <b>12,589,507</b>      | <b>11,340,458</b>      |

#### Sensitivity Valuation results (as at 30 June 2023) - FX volatility

| Facility         | Base FX volatility | Total Value               | Total Value               |
|------------------|--------------------|---------------------------|---------------------------|
|                  |                    | (GBP) - 20% FX volatility | (GBP) - 10% FX volatility |
| ZAR200m facility | 14%                | 2,367,251                 | 2,755,410                 |
| ZAR177m facility | 14%                | 530,650                   | 687,339                   |
| ZAR550m facility | 14%                | 7,982,928                 | 9,265,707                 |
| <b>Total</b>     |                    | <b>10,880,829</b>         | <b>12,708,456</b>         |

#### Sensitivity Valuation results (as at 30 June 2023) - UK risk-free rate

| Facility         | Base UK risk-free rate | Total Value       | Total Value       |
|------------------|------------------------|-------------------|-------------------|
|                  |                        | (GBP) - UK rf     | (GBP) - UK rf     |
|                  |                        | + 2%              | -2%               |
| ZAR200m facility | 4.3%                   | 2,727,344         | 2,463,408         |
| ZAR177m facility | 4.1%                   | 669,854           | 575,190           |
| ZAR550m facility | 3.6%                   | 9,192,309         | 8,301,860         |
| <b>Total</b>     |                        | <b>12,589,507</b> | <b>11,340,458</b> |

## 22. Events after the reporting period

A further shipment and sale of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein was recorded in July 2023 and a further 30,900 tonnes in September 2023.

The fifth and final drawdown on the ZAR 285 million bridging facility of ZAR 60 million was made on 17 August 2023.

As announced on 14 September 2023, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 250 million (approximately US\$ 13.2 million) bridge loan facilities ("Loan 2") to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 155 million (approximately US\$ 8 million) was made on 18 September 2023. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable on the Loan at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts outstanding under the Loan, together with interest thereon, is not repaid within 6 months from the first utilisation date, the interest rate will be increased with an additional 2%.

## **Company information**

### **Directors**

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Michael (Mike) John Nunn, Non-executive Director  
Gerrit Jacobus Duminy, Non-executive Director  
Michael (Mike) Albert Daigle, Independent Non-executive Director  
Linda Janice Beal, Independent Non-executive Director

### **Company secretary**

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### **Company number**

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