

KROPZ PLC

Registered number 11143400

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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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 2021**

Kropz plc (AIM: KRPZ), an emerging African phosphate explorer and developer, announces its unaudited results for the six months ended 30 June 2021.

The financial report is available online at the Company's website www.kropz.com.

Key financial indicators

- Cash at 30 June 2021 of US\$ 12 million (31 December 2020: US\$ 12 million);
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP of US\$ 5 million (31 December 2020: US\$ 7 million);
- Trade and other payables at 30 June 2021 of US\$ 5 million (31 December 2020: US\$ 5 million); and
- Property, plant, equipment and exploration assets of US\$ 180 million as at 30 June 2021 (31 December 2020: US\$ 159 million).

Key corporate and operational developments during the period

Corporate

- Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC (“Further Equity Facility”) in February 2021, to be used exclusively for the Hinda Updated Feasibility Study (“FS”) and general corporate purposes for Kropz;
- The fourth drawdown on the US\$ 40 million Original Equity Facility occurred on 10 March 2021 for US\$ 7 million;
- The fifth drawdown on the US\$ 40 million Original Equity Facility occurred on 23 June 2021 for US\$ 11 million;
- US\$ 3 million remains undrawn at 30 June 2021 on the US\$ 40 million Original Equity Facility in respect of the Elandsfontein project;
- The first drawdown on the Further Equity Facility occurred on 10 March 2021 for US\$ 2 million;
- The second drawdown on the Further Equity Facility occurred on 23 June 2021 for US\$ 2 million; and
- US\$ 1 million remains undrawn at 30 June 2021 on the Further Equity Facility.

Elandsfontein

- Significant progress continued to be made at Elandsfontein, with earthworks and civil construction now complete; and
- The outstanding appeal against the Elandsfontein Water-Use Licence (“WUL”) was heard from 1 to 4 February 2021. During this fourth sitting of the matter, all evidence was heard by the Water Tribunal. The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling on 10 March 2021. The appellant was subsequently granted two postponements for submitting their heads of arguments, which has delayed the possible date of the ruling to early September 2021.

Hinda

- As announced on 4 February 2021, Kropz appointed Hatch to complete the Hinda Updated FS; and
- Kropz received authorisation to update the environmental and social impact assessment (“ESIA”) from the Minister of Environment on 25 June 2021.

Aflao

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

Key corporate and operational developments post period end

Corporate

- Conditional share awards granted over 7,800,000 ordinary shares in the Company to key executive management team members, including certain Persons Discharging Managerial Responsibilities (“PDMRs”). This award represents 0.9 per cent of the Company’s issued share capital at 2 July 2021.

Elandsfontein

- With a large number of critical path and near critical path items being managed concurrently, a number of minor setbacks have been encountered in the project, pushing the target date for commissioning later into Q4 2021. These setbacks included a shortage of steel and industrial oxygen due to the COVID pandemic and days lost due to adverse weather conditions and illegal work stoppages;
- Fabrication, installation and assembly of structural steel and plate work is near complete, and all major mechanical equipment is installed;
- Electrical and instrumentation installation is progressing well;
- In preparation for operational readiness, the mining, plant operations, concentrate hauling, and port handling contracts are in the final stages of negotiation;
- A funding shortfall of approximately US\$ 8.5 million is expected in respect of the commissioning and ramp-up of Elandsfontein in Q4 2021 and Q1 2022 before first revenue from the sales of Elandsfontein rock is expected in mid-Q1 2022;
- Management is investigating various alternatives to bridge the respective funding shortfalls to ensure the smooth commissioning and ramp-up of the Elandsfontein project through to first product exports; and
- Transnet has delivered a draft long-term port access agreement to export Elandsfontein’s phosphate rock through the port of Saldanha, which is now being agreed between the parties. Exports through Cape Town will only be required if capacity through Saldanha is unavailable for a period of time.

Hinda

- The Updated FS is expected in early Q4 2021; and
- WSP Canada Inc. is updating the ESIA in line with the approved terms of reference to align with the updated plant and infrastructure design.

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

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About Kropz plc

Kropz is an emerging African explorer and developer of plant nutrient feed minerals with phosphate projects in South Africa and the 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 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Non-current assets			
Property, plant, equipment and mine development	7	135,558	114,473
Exploration assets	8	44,820	44,348
Right-of-use assets		25	45
Other financial assets		1,504	1,477
		<u>181,907</u>	<u>160,343</u>
Current assets			
Inventories		830	821
Trade and other receivables		1,606	1,611
Derivative asset	15	185	8,586
Restricted cash		5,409	7,355
Cash and cash equivalents		12,490	11,572
		<u>20,520</u>	<u>29,945</u>
TOTAL ASSETS		<u>202,427</u>	<u>190,288</u>
Current liabilities			
Trade and other payables		5,416	4,780
Lease liabilities		26	42
Other financial liabilities	12	545	2,500
Current taxation	17	89	-
		<u>6,076</u>	<u>7,322</u>
Non-current liabilities			
Shareholder loans	11	15,946	15,703
Lease liabilities		-	6
Other financial liabilities	12	30,105	28,113
Provisions		4,596	4,311
		<u>50,647</u>	<u>48,133</u>
TOTAL LIABILITIES		<u>56,723</u>	<u>55,455</u>
NET ASSETS		<u>145,704</u>	<u>134,833</u>
Shareholders' equity			
Share capital	9	1,122	706
Share premium	9	189,796	168,212
Merger reserve		(20,523)	(20,523)
Foreign exchange translation reserve		2,325	2,334
Share-based payment reserve		702	385
Accumulated losses		(22,280)	(11,005)
		<u>151,142</u>	<u>140,109</u>
Total equity attributable to the owners of the Company		151,142	140,109
Non-controlling interests		(5,438)	(5,276)
		<u>145,704</u>	<u>134,833</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

		Six months ended 30 June 2021 Unaudited US\$'000	Six months ended 30 June 2020 Unaudited US\$'000
Revenue		-	-
Other income		7	19
Operating expenses		<u>(3,436)</u>	<u>(3,257)</u>
Operating loss		(3,429)	(3,238)
Finance income	13	1,547	770
Finance expense	14	(1,471)	(11,670)
Fair value losses from derivative asset	15	(3,728)	-
Loss on disposal of subsidiary	16	<u>(224)</u>	<u>-</u>
Loss before taxation		(7,305)	(14,138)
Taxation	17	(89)	(583)
Loss after taxation		<u>(7,394)</u>	<u>(14,721)</u>
Loss attributable to:			
Owners of the Company		(6,602)	(10,931)
Non-controlling interests		(792)	(3,790)
		<u>(7,394)</u>	<u>(14,721)</u>
Loss for the period		(7,394)	(14,721)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
- Exchange differences on translation of parent company financial statements from functional to presentation currency		628	140
- Exchange differences on translating foreign operations		(175)	(14,074)
		<u>453</u>	<u>(13,934)</u>
Total comprehensive loss		<u>(6,941)</u>	<u>(28,655)</u>
Attributable to:			
Owners of the Company		(6,611)	(21,425)
Non-controlling interests		(330)	(7,230)
		<u>(6,941)</u>	<u>(28,655)</u>
Loss per share attributable to owners of the Company:			
Basic and diluted (US cents)	18	<u>(1.03)</u>	<u>(3.80)</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Share- based payment reserve US\$'000	Retained earnings US\$'000	Total attributable to owners US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Unaudited – six months ended 30 June 2021									
Balance at 1 January 2021	706	168,212	(20,523)	2,334	385	(11,005)	140,109	(5,276)	134,833
Total comprehensive income (loss) for the period	-	-	-	(9)	-	(6,602)	(6,611)	(330)	(6,941)
Disposal of subsidiary	-	-	-	-	-	-	-	168	168
Issue of shares	416	21,584	-	-	-	-	22,000	-	22,000
Remeasurement of derivative asset on issuance of shares (Note 15)	-	-	-	-	-	(4,673)	(4,673)	-	(4,673)
Share based payment charges	-	-	-	-	317	-	317	-	317
Transactions with owners	416	21,584	-	-	317	(4,673)	17,644	168	17,812
Balance at 30 June 2021	1,122	189,796	(20,523)	2,325	702	(22,280)	151,142	(5,438)	145,704
Unaudited – six months ended 30 June 2019									
Balance at 1 January 2020	363	147,339	(20,523)	53	167	(12,536)	114,863	(1,728)	113,135
Total comprehensive loss for the period	-	-	-	(10,494)	-	(10,931)	(21,425)	(7,230)	(28,655)
Issue of shares	185	12,332	-	-	-	-	12,517	-	12,517
Cost of issuing shares	-	(320)	-	-	-	-	(320)	-	(320)
Issue of warrants	-	(10)	-	-	10	-	-	-	-
Share based payment charges	-	-	-	-	(15)	-	(15)	-	(15)
Transactions with owners	185	12,002	-	-	(5)	-	12,182	-	12,182
Balance at 30 June 2020	548	159,341	(20,523)	(10,441)	162	(23,467)	105,620	(8,958)	96,662

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six months ended 30 June 2021 Unaudited US\$'000	Six months ended 30 June 2020 Unaudited US\$'000
Cash flows from operating activities		
Loss before taxation	(7,305)	(14,138)
Adjustments for:		
Depreciation of property, plant and equipment	430	401
Amortisation of right-of-use assets	19	8
Share-based payment / (credit)	317	(15)
Interest income	(289)	(770)
Interest expense	1,011	1,528
Debt modification loss	-	938
Fair value losses from derivative asset	3,728	-
Loss on disposal of subsidiary	224	-
Foreign currency exchange differences	(1,028)	8,869
Fair value loss on game animals	12	36
Operating cash flows before working capital changes	(2,881)	(3,143)
(Increase) / decrease in trade and other receivables	(1,985)	1,402
Decrease / (increase) in inventories	11	(6)
Increase in payables	2,445	468
Increase / (decrease) in other tax liabilities	-	(338)
Accretion in provisions	177	(453)
	(2,233)	(2,070)
Income taxes paid	-	(86)
Net cash flows used in operating activities	(2,233)	(2,156)
Cash flows used in investing activities		
Purchase of property, plant and equipment	(18,659)	(1,132)
Exploration and evaluation expenditure	(1,931)	(127)
Interest received	289	770
Transfers from restricted cash	1,946	-
Net cash flows used in investing activities	(18,355)	(489)
Cash flows from financing activities		
Interest paid	(1,011)	(1,088)
Repayment of lease liabilities	(20)	(8)
Other financial liabilities received	38	34
Issue of ordinary share capital	22,000	12,517
Costs of share issues	-	(320)
Net cash flows from financing activities	21,007	11,135
Net increase in cash and cash equivalents	419	8,490
Cash and cash equivalents at beginning of the period	11,572	15,530
Foreign currency exchange gains / (losses) on cash	499	(3,021)
Cash and cash equivalents at end of the period	12,490	20,999

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. General information

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

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

2. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the accounting policies of the consolidated financial statements for the year ended 31 December 2020. 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 2020 annual report. The statutory financial statements for the year ended 31 December 2020 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), taking account of interpretations by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable in the European Union and in accordance with the requirements of the Companies Act 2006. They have been filed with the Registrar of Companies. The auditors reported on those financial statements; their Audit Report was unqualified but included a material uncertainty related to going concern.

The interim consolidated financial statements have been prepared under the historical cost convention 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 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 31 August 2021.

3. Significant events

COVID Outbreak

In January 2021 and subsequently in June 2021, due to second/third waves of the COVID-19 pandemic and cases diagnosed with new virus variants, some jurisdictions reimposed lockdowns and movement restrictions. The Elandsfontein project timetable is currently not significantly affected. In line with the Directive, care and maintenance and construction operations have continued on-site. However, the timing and extent of the impact and recovery from COVID is unknown, and they may affect planned activities and potentially display a post balance sheet date impact.

4. Going concern

Cash and cash equivalents totalled US\$ 12 million as at 30 June 2021 and US\$ 5 million was restricted in terms of the amended facility agreement between Kropz Elandsfontein and BNP. The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

In May 2020, Kropz entered into a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Original Equity Facility was expected to bring the Company's Elandsfontein project into production in Q4 2021. The Original Equity Facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the remaining US\$ 3 million of the Original Equity Facility. ZAR 77 million is currently locked up by BNP Paribas in the accounts of Kropz Elandsfontein in terms of the BNP Paribas amended facility agreement. The ZAR 77 million ringfenced by BNP will be released once funding certainty in respect of the funding shortfall of approximately US\$8.5 million, as indicated above, has been secured.

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

In January 2021 and subsequently in June 2021, due to second/third waves of the COVID-19 pandemic and cases diagnosed with new variants of the virus, some jurisdictions reimposed lockdowns and movement restrictions. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its employees, consultants and contractors, and their families, in the face of the COVID outbreak. However, the timing and extent of the impact and recovery from COVID is unknown, and they may affect planned activities and potentially display a post balance sheet date impact.

The Directors have reviewed the Group's overall cash position and outlook, for a period of at least the next twelve months following the date of signature of this report and have considered sensitivities and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern of accounting in preparing these financial statements. Certain key contracts associated with operational readiness and commencement of production activities at Elandsfontein are yet to be finalised. Current estimates are based on ongoing negotiations and proposals received from third party contractors. Failure to enter into contracts, based on these negotiated terms and expected timeframes, could negatively impact commissioning and create an additional funding requirement. Additionally, at the date of these interim financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause cost overruns that would require additional funding through the raising of debt or equity. As stated above, a funding shortfall of approximately US\$ 8.5 million is expected in respect of the commissioning and ramp-up of Elandsfontein in Q4 2021 and Q1 2022, before first revenue from the sales of Elandsfontein rock is expected in mid-Q1 2022. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available when needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

5. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation of uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2020 except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New standards, interpretations and amendments adopted by the Group

One amendment to Standards has become effective for financial periods beginning on (or after) 1 January 2021, and is therefore applicable for the 30 June 2021 interim financial statements.

The amendment stated below has been included in these illustrative interim consolidated financial statements (where applicable) as if it had been applied for the first time as at 1 January 2021 (i.e. during the 2021 interim financial period):

IBOR reform and its effects on financial reporting – phase 2

The amendment applies to entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on IBORs; and (ii) these IBORs are subject to interest rate benchmark reform.

The amendment had no impact on the consolidated financial statements of the Group.

6. Segment information

Operating segments

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

Geographical segments

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

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

	South Africa US\$'000	RoC US\$'000	Group US\$'000
30 June 2021			
Total non-current assets	137,064	44,843	181,907
	South Africa US\$'000	RoC US\$'000	Group US\$'000
31 December 2020			
Total non-current assets	116,027	44,316	160,343

7. Tangible assets – Property, plant, equipment and mine development

	30 June 2021 US\$'000	31 December 2020 US\$'000
Buildings and infrastructure		
<u>Land</u>		
Cost	2,119	2,067
Accumulated depreciation and impairment	-	-
Carrying value	2,119	2,067
<u>Buildings</u>		
Cost	11,280	11,003
Accumulated depreciation and impairment	(13)	(12)
Carrying value	11,267	10,991

Capitalised road costs

Cost	9,047	8,824
Accumulated depreciation and impairment	(3,016)	(2,647)
Carrying value	6,031	6,177

Capitalised electrical sub-station costs

Cost	3,925	3,828
Accumulated depreciation and impairment	(1,221)	(1,063)
Carrying value	2,704	2,765

Machinery, plant and equipment**Critical spare parts**

Cost	1,692	1,285
Accumulated depreciation and impairment	-	-
Carrying value	1,692	1,285

Plant and machinery

Cost	85,196	66,683
Accumulated depreciation and impairment	(68)	(74)
Carrying value	85,128	66,609

Water treatment plant

Cost	2,324	1,129
Accumulated depreciation and impairment	-	-
Carrying value	2,324	1,129

Furniture & fittings

Cost	50	44
Accumulated depreciation and impairment	(43)	(41)
Carrying value	7	3

Geological equipment

Cost	48	47
Accumulated depreciation and impairment	(48)	(47)
Carrying value	-	-

Office equipment

Cost	36	35
Accumulated depreciation and impairment	(21)	(17)
Carrying value	15	18

Other fixed assets

Cost	1	1
Accumulated depreciation and impairment	(1)	(1)
Carrying value	-	-

Motor vehicles

Cost	131	128
Accumulated depreciation and impairment	(131)	(128)
Carrying value	-	-

Computer equipment

Cost	47	47
Accumulated depreciation and impairment	(43)	(42)
Carrying value	4	5

Municipal assets

Cost	144	-
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Accumulated depreciation and impairment	-	-
Carrying value	<u>144</u>	<u>-</u>
<u>Mine development</u>		
Cost	20,549	20,046
Accumulated depreciation and impairment	-	-
Carrying value	<u>20,549</u>	<u>20,046</u>
<u>Stripping activity costs</u>		
Cost	3,397	3,193
Accumulated depreciation and impairment	-	-
Carrying value	<u>3,397</u>	<u>3,193</u>
<u>Game animals</u>		
Cost	177	185
Accumulated depreciation and impairment	-	-
Carrying value	<u>177</u>	<u>185</u>
Total	<u>135,558</u>	<u>114,473</u>

Reconciliation of property, plant, equipment and mine development – Period ended 30 June 2021

	Opening Balance US\$'000	Additions US\$'000	Fair value loss US\$'000	Deprecia- tion charge US\$'000	Foreign exchange gain/loss US\$'000	Closing balance US\$'000
Buildings and infrastructure						
Land	2,067	-	-	-	52	2,119
Buildings	10,991	-	-	-	276	11,267
Capitalised road costs	6,177	-	-	(296)	150	6,031
Capitalised electrical sub-station costs	2,765	-	-	(128)	67	2,704
Machinery, plant and equipment						
Critical spare parts	1,285	375	-	-	32	1,692
Plant and machinery	66,609	16,847	-	(2)	1,674	85,128
Water treatment plant	1,129	1,166	-	-	29	2,324
Furniture and fittings	3	4	-	-	-	7
Geological equipment	-	-	-	-	-	-
Office equipment	18	-	-	(3)	-	15
Other fixed assets	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Computer equipment	5	-	-	(1)	-	4
Municipal assets	-	144	-	-	-	144
Mine development	20,046	-	-	-	503	20,549
Stripping activity costs	3,193	123	-	-	81	3,397
Game animals	185	-	(12)	-	4	177
Total	<u>114,473</u>	<u>18,659</u>	<u>(12)</u>	<u>(430)</u>	<u>2,868</u>	<u>135,558</u>

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

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

Kropz Elandsfontein has a fully drawn down project financing facility with BNP for US\$ 30 million. BNP 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.

8. Intangible assets - exploration and evaluation costs

	30 June 2021 US\$'000	31 December 2020 US\$'000
Capitalised exploration costs		
Cost	44,820	44,348
Amortisation and impairment	-	-
Carrying value	44,820	44,348

Reconciliation of exploration assets

	Opening Balance US\$'000	Additions US\$'000	Disposals US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
Period ended 30 June 2021					
Capitalised exploration costs	44,348	1,931	(62)	(1,397)	44,820

Reconciliation of exploration assets

	Opening Balance US\$'000	Additions US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
Year ended 31 December 2020				
Capitalised exploration costs	40,192	257	3,899	44,348

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

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

9. Share capital

Shares were issued during the period as set out below:

	Number of shares	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Total US\$'000
For the six months ended 30 June 2021					
At 31 December 2020	558,627,558	706	168,212	(20,523)	148,395
Convertible loan – issue of shares	298,824,051	416	21,584	-	22,000
As at 30 June 2021	857,451,609	1,122	189,796	(20,523)	170,395
For the year ended 31 December 2020					
At 31 December 2019	283,406,307	363	147,339	(20,523)	127,179
Placing of shares	4,505,060	5	349	-	354
Convertible loan – issue of shares	244,866,271	306	18,694	-	19,000
Open offer – issue of shares	25,849,920	32	2,130	-	2,162
Cost of issuing shares	-	-	(320)	-	(320)
Lapsed warrants	-	-	30	-	30
Issue of warrants	-	-	(10)	-	(10)
As at 31 December 2020	558,627,558	706	168,212	(20,523)	148,395

The changes to the issued share capital of the Company which occurred between 1 January 2021 and 30 June 2021 were as follows:

Convertible loan facilities

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

rate of ZAR 17 to the US\$. The convertible loan facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US\$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a draw down.

The fourth drawdown was for US\$ 7 million which was paid by way of issue of 89,185,185 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 10 March 2021.

The fifth drawdown was for US\$ 11 million which was paid by way of issue of 140,148,148 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 23 June 2021.

Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly drawdowns under the Equity Facility are at the sole discretion of Kropz. Repayment of the convertible loan facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 4.202 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.73 GBP. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

The first draw down of US\$ 2 million on the Further Equity Facility occurred on 10 March 2021 which was paid by way of issue of 34,745,359 new ordinary shares to the ARC Fund.

The second draw down of US\$ 2 million on the Further Equity Facility occurred on 23 June 2021 which was paid by way of issue of 34,745,359 new ordinary shares to the ARC Fund.

Share based payment arrangements

Employee Share Option Plan and Long-Term Incentive Plan

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

The following plans have been adopted by the Company:

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

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

The charge to profit and loss was US\$ 317,000 (period ended 30 June 2020: credit of US\$ 15,000).

10. Key management personnel remuneration

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

Period ended 30 June 2021	Remuneration US\$	Short-Term Benefits		Total US\$
		Bonus US\$	Options US\$	
Executive directors				
Mark Summers	154,491	-	127,317	281,808
	154,491	-	127,317	281,808
Non-executive directors				
Lord Robin Renwick	27,759	-	-	27,759
Linda Beal	25,965	-	-	25,965
Mike Daigle	33,311	-	-	33,311
Machiel Reyneke	-	-	-	-
Michael Nunn	-	-	-	-
	87,035	-	-	87,035
Total directors' remuneration	241,526	-	127,317	368,843
Executives				
Jan Steenkamp	29,212	-	-	29,212
Michelle Lawrence	109,585	-	110,062	219,647
Patrick Stevenaert	89,692	-	41,165	130,857
	228,489	-	151,227	379,716
Period ended 30 June 2020				
	Remuneration US\$	Bonus US\$	Options US\$	Total US\$
Executive directors				
Ian Harebottle	197,432	-	(54,322) ⁽ⁱ⁾	143,110
Mark Summers	123,915	-	27,161	151,076
	321,347	-	(27,161)	294,186
Non-executive directors				
Lord Robin Renwick	24,656	-	-	24,656
Linda Beal	23,063	-	-	23,063
Mike Daigle	18,492	-	-	18,492
Machiel Reyneke	-	-	-	-
Michael Nunn	-	-	-	-
	66,211	-	-	66,211
Total directors' remuneration	387,558	-	(27,161)	360,397
Executives				
Jan Steenkamp	33,190	-	-	33,190
Michelle Lawrence	84,093	-	11,835	95,928
Patrick Stevenaert	83,583	-	-	83,583
	200,866	-	11,835	212,701

- (i) Ian Harebottle resigned on 29 February 2020 and the ESOP options awarded to him lapsed and expired. The option expense previously recognised to profit and loss was accordingly reversed.

The following ESOP options, which were issued at the time of admission to AIM as share-based payment arrangements, were outstanding to KMP at the period ended 30 June 2021:

Name	Expiry Date	Exercise Price (pence)	Number of Options
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			4,827,746

The following LTIP options, which were issued on 31 July 2020 as share-based payment arrangements, were outstanding to KMP at the period ended 30 June 2021:

Name	Expiry Date	Exercise Price (pence)	Number of Options
Mark Summers	31 July 2023	0.1	2,350,000
Michelle Lawrence	31 July 2023	0.1	2,350,000

11. Shareholder loans payable

	30 June 2021 US\$'000	31 December 2020 US\$'000
ARC	<u>15,946</u>	<u>15,703</u>

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

12. Other financial liabilities

	30 June 2021 US\$'000	31 December 2020 US\$'000
BNP	30,105	30,118
Greenheart Foundation	545	495
Total	<u>30,650</u>	<u>30,613</u>
Non-current financial liabilities	30,105	28,113
Current financial liabilities	545	2,500
Total	<u>30,650</u>	<u>30,613</u>

BNP

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

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

13. Finance income

	Six months ended 30 June 2021 US\$'000	Six months ended 30 June 2020 US\$'000
Interest income	289	770
Foreign exchange gains	1,258	-
Total	<u>1,547</u>	<u>770</u>

14. Finance expense

	Six months ended 30 June 2021 US\$'000	Six months ended 30 June 2020 US\$'000
Shareholder loans	243	363
Foreign exchange losses	44	9,204
Bank debt	1,010	1,027
BNP – debt modification loss (Note 12)	-	938
Finance leases	-	1
Other	174	137
Total	1,471	11,670

15. Derivative asset

	30 June 2021 US\$'000	31 December 2020 US\$'000
Convertible loan facility	185	8,586

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

The Original Equity Facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US\$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a drawdown.

At 31 December 2020, US\$ 21 million of the Original Equity Facility remained undrawn which equates to 267,555,556 new ordinary shares to be issued in the Company pursuant to the terms of the agreement. A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility and the expected share price was deemed to be 4.37 pence per share. Kropz secured a further convertible loan facility of up to US\$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Repayment of the Further Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 4.202 pence per ordinary share each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1 = 0.73 GBP.

At 30 June 2021, US\$ 4 million remains undrawn of the Original and Further Equity Facility which equates to 55,594,902 new ordinary shares to be issued in the Company pursuant to the terms of the Original Equity Facility and Further Equity Facility. A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility and the expected share price was deemed to be 5.70 pence per share. Accordingly the derivative asset was revalued for changes in the share price prior to draw down with the resulting loss for revaluation booked to profit and loss of US\$ 3,728,000 and US\$ 4,673,000 receivable extinguished through equity based on the relative draw down percentage of the undrawn facilities at period end.

The movements in the derivative asset balance are summarised below:

Derivative asset	Six months ended 30 June 2021 US\$'000	Year ended 31 December 2020 US\$'000
Balance brought forward	8,586	-
Fair value (loss) / gain recognised in profit and loss	(3,728)	8,586
Extinguished on issuance of equity	(4,673)	-
Balance carried forward	185	8,586

16. Loss on disposal of subsidiary

On 15 February 2021, the Group divested of its interests in Aflao, the phosphate project located in Ghana by selling its shareholding in First Gear Exploration Ltd (“First Gear Exploration”), a 50 per cent. owned subsidiary of the Company, to Consortium Minerals Ltd (“Consortium”) (the “Disposal”). As a result of the sale, Kropz has no further interest in Aflao.

Consortium is a subsidiary of Russell Brooks Ltd, who was a minority shareholder in First Gear Exploration, with a 15 per cent. shareholding prior to the Disposal.

The consideration for the sale of the Kropz interest in First Gear Exploration was:

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

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

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

As at the date of this report, the Loan Consideration remains outstanding and the amount has not been accounted for as recoverability is not certain.

This disposal allows the Company to focus on its strategy of developing the Elandsfontein phosphate project in South Africa and progressing the Hinda phosphate project in the Republic of Congo.

The loss on disposal was calculated as follows:

	US\$'000
Consideration	5
Net liabilities on disposal	(335)
Non-controlling interest on disposal	168
Derecognition of exploration and evaluation assets	(62)
Loss on disposal	(224)

17. Taxation

Major components of tax charge	Six months ended 30 June 2021 US\$'000	Six months ended 30 June 2020 US\$'000
Deferred		
Originating and reversing temporary differences	-	-
Current tax		
UK tax in respect of current period	89	583*
Total	89	583

* Given current COVID-19 volatility seen in the market, the tax charge arose predominantly due to the devaluation of GBP against US\$ and the recorded unrealised foreign exchange gains being taxable in the UK.

The Group had losses for tax purposes of approximately US\$ 47.8 million (31 December 2020: US\$ 43.8 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 the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets is uncertain.

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 ended 30 June 2021 US\$'000	Six months ended 30 June 2020 US\$'000
Loss attributable to ordinary shareholders	(6,602)	(10,931)
Weighted average number of ordinary shares in Kropz plc	643,728,660	288,009,877
Basic and diluted loss per share (US cents)	(1.03)	(3.80)

The diluted loss per share and the basic loss per share are recorded as the same amount, as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

19. Related party transactions

Details of share issues, Key Management Personnel remuneration and shareholder loans are explained in Notes 9, 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 2021 US\$'000	31 December 2020 US\$'000
ARC	15,946	15,703
Total	15,946	15,703

Related party balances
Interest paid to related parties

	Six months ended 30 June 2021 US\$'000	Six months ended 30 June 2020 US\$'000
ARC	243	363
Total	243	363

20. Seasonality of the Group's business

There are no 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 2021.

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
- Cash and cash equivalents.

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000
<i>Financial Assets</i>				
Other financial assets	1,504	1,504	1,477	1,477
Derivative asset	185	185	8,586	8,586
Total	1,691	1,691	10,063	10,063
<i>Financial Liabilities</i>				
Shareholder loans	15,946	15,946	15,703	15,703
Other financial liabilities	30,650	30,650	30,613	30,613
Total	46,596	46,596	46,316	46,316

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 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
30 June 2021				
Derivative asset	-	-	185	185
31 December 2020				
Derivative asset	-	-	8,586	8,586

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

(iii) Reconciliation: Level 3 fair value measurement

	Six months ended 30 June 2021 US\$'000	Year ended 31 December 2020 US\$'000
<i>Derivative asset</i>		
Opening balance	8,586	-
Fair value (loss) / gain recognised in profit and loss	(3,728)	8,586
Extinguished on issuance of equity	(4,673)	-
Closing balance	185	8,586

(iv) Valuation technique used to determine fair value

Derivative asset:

A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility multiplied by the number of shares to be issued pursuant to the Original and Further Equity Facility compared to the quoted market share price.

22. Events after the reporting period

On 2 July 2021, the Company granted conditional share awards over ordinary shares in the Company to key members of the executive management team, including certain PDMRs, including Mark Summers and Chief Operating Officer Michelle Lawrence, under its Long Term Incentive Plan ("LTIP Awards"). These LTIP Awards have performance conditions aligned to the implementing the Group's strategic plans, including appropriate weightings on the successful commissioning of the Elandsfontein mine and completion of an updated feasibility study on the Hinda project.

The LTIP Awards are nil priced options over a total of 7,800,000 ordinary shares representing 0.9 per cent. of the Company's issued share capital. Of this total, 2,400,000 LTIP Awards have been granted to each of Mark Summers and Michelle Lawrence and 900,000 to Patrick Stevenaert. The LTIP Awards will vest on various dates from 30 June 2022 to 31 December 2024, subject to the terms of the LTIP Plan Rules (as set out in the Company's Admission Document), including financial and non-financial performance conditions.

Following the grant of the LTIP Awards above, together with the existing 4,827,746 awards currently under option under the ESOP ("ESOP Awards"), and the existing 6,700,000 LTIP awards issued in 2020, the ESOP Awards and LTIP Awards represent 2.3 per cent. of the Company's issued share capital.

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

Company information

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Mark Robert Summers, Chief Executive Officer
Michael (Mike) John Nunn, Non-executive Director
Machiel Johannes Reyneke, Non-executive Director
Michael (Mike) Albert Daigle, Independent Non-Executive Director
Linda Janice Beal, Independent Non-Executive Director

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Mark Robert Summers

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