

24 June 2019

Kropz plc
("Kropz" or the "Company")

**Final Results for the Period ended 31 December 2018, Annual Report and Accounts
and
Notice of General Meeting**

Kropz plc (AIM: KRPZ), an emerging African producer of plant nutrient feed minerals, announces its results for the year ended 31 December 2018 and the publication of the Company's Annual Report.

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

The Company also announces that it will hold a General Meeting for purposes of approving the Annual Report which will be held at the offices of Memery Crystal LLP at 165 Fleet Street, London, EC4A 2DY on 26 July 2019 at 11:00 a.m. The full Notice of General Meeting, which together with the Annual Report is being posted to shareholders today, can also be found on the Company's website.

Key financial indicators

- Admission of Kropz plc shares to trading on AIM ("AIM Admission" or "Admission") raising total gross proceeds of USD 35 million, before expenses, successfully completed on 30 November 2018;
- Cash as at 31 December of USD 30 million (as at 31 May 2019 USD 18 million); and
- The Company is currently reviewing options to raise approximately USD 4 million to further advance its Hinda and Aflao projects; provide additional working capital; and continuing to investigate further funding to support the Company's additional cash requirements for its Elandsfontein Phosphate Project once the test work has been completed on this project.

Key operational developments during the financial year

- With the AIM Admission and initial acquisition of a 71.3 per cent. stake in Cominco Resources Limited ("Cominco") successfully completed on 30 November 2018, the focus during the remainder of the year under review was directed at consolidating the various assets held within Kropz plc and its subsidiaries (the "Group") and formulating an action plan for implementation in early 2019;
- Acquisition of a further 27.7 per cent. stake in Cominco (pursuant to further acceptances of the Cominco offer received after the AIM Admission) completed on 7 December 2018, taking the total ownership of Cominco to 98.97 per cent.;
- The primary focus at Elandsfontein for 2018 was to conduct test work to improve the definition of the modifications required for the processing facility. Work was concluded at the Tenova Laboratories in Israel and at Mintek in South Africa;
- Scoping study level design was concluded based on the metallurgical results available. The independent technical panel reviewed all metallurgical results and process design; and
- A prospecting licence was secured for further exploration at the Aflao phosphate project ("Aflao").

Key developments post financial year end

Elandsfontein

- Appointment of Jan Steenkamp, a well-known South African mining industry veteran, as Managing Director of Kropz Elandsfontein (Pty) Ltd (“Kropz Elandsfontein”);
- Operational review resulting in improved confidence of the costs and schedule required to bring Elandsfontein into production;
- Mintek and Eriez (USA) mandated to undertake pilot plant and other processing test work (“Test Work”) to confirm and optimise the remedial process flow sheet;
- The Test Work has confirmed that the modified Elandsfontein processing plant can produce a final concentrate to specification of 31%P₂O₅;
- Work done to advance the engineering design of the plant indicates that additional equipment will be required, including:
 - new stack sizer screens to optimise the milling circuit;
 - additional mechanical float cells to float the coarse size fraction of +212 micron; and
 - ancillary infrastructure and modifications of the original plant.
- Further time required for additional Test Work, long-lead capital items and associated works will impact on timing and capital cost to first production, with the target date for production at Elandsfontein moving to Q4 2020.

Hinda

- DRA appointed to confirm the logistical viability of the existing road and port infrastructure to support a potential 1.0-1.5 million tonnes per annum (“Mtpa”) production target, and to determine whether to proceed with a reduced capital cost development plan focussing on the high grade weathered ore (“Starter Project”), or to prioritise construction of the main project which would exploit the full mining sequence (“Optimised Project”); and
- Compulsory redemption of remaining Cominco shares resulting in Kropz owning 100 per cent. of Cominco completed in February 2019.

Aflao

- Eight additional lines of Mobile Metal Ion (“MMI”) sampling carried out at Aflao, with 244 MMI samples sent to SGS Laboratory Services (Toronto) for testing and analysis, with total strike length covered by MMI test work extended to 6 km.

Chairman's Statement

Dear shareholder,

The admission to trading of Kropz plc ("Kropz" or the "Company") shares on the AIM market was accomplished in November 2018, raising USD 35 million, before expenses, primarily for the development of the Group's flagship Elandsfontein phosphate mine, located in the Western Cape, South Africa. The continuing population growth has created an imperative to increase fertiliser production in sub-Saharan Africa. The mine has access to appropriate infrastructure and is primed to play its part in ensuring food security. The funds were raised principally from the Company's largest shareholder, the ARC Fund ("ARC"), to whom the Board is extremely grateful for this display of commitment and support.

Elandsfontein's development is progressing under the capable leadership of Mr Jan Steenkamp, who has vast experience within the South African mining industry and was appointed Managing Director of Elandsfontein in February 2019.

Post the period end the Company announced an update on Elandsfontein, detailing that commissioning of the mine and the processing plant is now expected to take place during the fourth quarter of 2020. At the time of Kropz's AIM Admission, the level of engineering design for its recommissioning was at a scoping study level. Significant work has been performed to advance the engineering and design, however additional test work is still required and is now expected to continue into Q3 2019. The resultant delays to commissioning will lead to additional operating costs and debt repayments which, together with the potential additional capital expenditure, may add a further USD 20 million to the amount anticipated at the time of AIM Admission. The Company is working to refine these costs and will update the market in due course.

On 19 February 2019, Kropz was successfully able to implement a compulsory redemption of the remaining Cominco shareholders and now controls a 100 per cent. stake in Cominco. Cominco currently owns 100% of the Hinda project, located in the Republic of Congo ("RoC"). Hinda is believed to contain one of the world's largest undeveloped phosphate reserves. The Board is of the view that Hinda presents a very attractive medium-term opportunity. It has a well-defined JORC compliant resource and to date circa USD 40 million has been spent by Cominco on an extensive exploration and test work programme. Kropz is exploring the most appropriate strategy to fast-track this project and to maximise its value and will keep shareholders abreast of these developments.

The Company is currently considering a further fundraising through a placing to raise approximately USD 4 million to carry forward work on its two high grade development properties in the RoC and Ghana, and to provide additional working capital. The Company's two largest shareholders have expressed a commitment to support the Company in this fundraising.

The Board is grateful for the leadership provided by the executive team, led by Mr Ian Harebottle, and to all the Group's employees. Thanks to their dedication and hard work the Company has a first-class safety record at Elandsfontein. The mine site has been maintained in excellent condition throughout the period during which funding was being raised for its continued development.

Lord Robin William Renwick of Clifton

Non-Executive Chairman

For further information visit www.kropz.com or contact:

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About Kropz Plc

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

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

The Company's medium-term development asset is the Hinda Phosphate Project in the RoC.

The Company has also secured a prospecting right in Ghana, to undertake further exploration work on the Aflao Project, the potential extension of the well-known, high grade and historically exploited Hahotie-Kpogame-Kpeme deposit in Togo.

Strategic Report for the period ended 31 December 2018

Market overview

Population growth and food security are key drivers of plant nutrient demand. According to the Food and Agricultural Organisation ("FAO"), almost one in nine people around the world are reported to be chronically hungry, lacking enough food to be healthy and lead active lives. The FAO projects that by 2050, population and economic growth will result in a doubling of food demand across the globe. As the world's population grows, urbanises and industrialises, farm land per capita has decreased. Consequently, more food production is required per unit area of arable farm land, which in turn equates to an increasing reliance on plant nutrients.

Phosphates are essential for all life on earth as phosphorus forms an essential component of most biochemical reactions in living organisms. Phosphorus is naturally occurring in various forms, but in order to sustain modern agricultural yields it needs to be added as a substitute in the form of phosphate fertilizer.

Phosphate rock is a phosphorus-bearing mineral that represents one of the three macro-nutrients required by plants. As such, the main driver of phosphate rock demand is the production of a range of phosphate and multi-nutrient fertilizers which are critical to boosting crop yields and sustaining global food supplies to feed an expanding world population. Phosphorus is also an important dietary supplement in animal feed, demand for which is determined by global meat production.

CRU Consulting ("CRU") forecasts that total global phosphate rock demand will increase to 230.2 million tonnes ("Mt") in 2022, representing a 1.6 per cent. compound annual growth rate ("CAGR") from 2017. CRU also forecasts global phosphate rock trade (i.e. representing rock production that is not directly linked to downstream phosphate fertilizer production) to increase by 3.2 Mt from 2017 to 2022, reaching 35.3 Mtpa. This represents a 1.9 per cent. CAGR and marks a significant acceleration in the phosphate rock import demand growth that has been observed since 2000.

The increased import demand growth has resulted in a predicted CAGR of phosphate rock price of 3.9 per cent.

It is also notable that the cadmium content of both the Elandsfontein and Hinda rock is low relative to other major sedimentary phosphate rock sources. In October 2017, the European Parliament voted for the recommendation for lower cadmium limits in fertilizers. CRU believes the comparatively low cadmium content of the Company's two key projects' rock could improve its marketability, particularly among producers of high-purity phosphate acid and in markets where the cadmium content of fertilizers is strictly regulated.

Significant changes in state of affairs

Acquisitions and AIM Admission

On 4 June 2018, Kropz plc acquired a 50 per cent. + 1 share interest in the share capital of First Gear Exploration Limited ("First Gear") from its 75% shareholder, Kropz International SARL ("Kropz International"). The remaining shareholdings in First Gear are held by Kropz International (25 per cent. – 1 share), Russell Brooks (15 per cent.) and Thomas Amoah (10 per cent.), a local partner in Ghana.

On 1 November 2018, the Company made an all share offer to acquire Cominco in an all share transaction valuing Cominco at USD 40 million ("the Offer"). Cominco, through its wholly owned subsidiary, Cominco S.A., currently owns 100 per cent. of the Hinda Phosphate Project ("Hinda") and which is expected to be diluted to 90 per cent. through the participation of the Government of the RoC. Hinda is believed to be one of the world's largest, undeveloped phosphate reserves. The Company received valid acceptances from 71.3 per cent. of the Cominco Shareholders and accordingly, on 30 November 2018, at AIM Admission, the Company acquired 71.3 per cent. of Cominco. The Offer remained open for acceptance until 1pm on 30 November 2018 and at closing of the Offer, valid acceptances of a further 27.7 per cent. were received. The acquisition of the further 27.7 per cent. of Cominco completed on 7 December 2018 taking the total ownership of Cominco to 98.97 per cent.

The Company subsequently applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco shares held by the remaining Cominco shareholders.

This process was completed on 19 February 2019 and as a result Kropz plc currently owns 100 per cent. of the issued share capital of Cominco.

On 27 November 2018, the Company acquired, from its then sole shareholder Kropz International, (i) the entire issued share capital of Kropz SA (Pty) Limited ("Kropz SA"); (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein (Pty) Ltd ("Kropz Elandsfontein"); and (iii) 23 per cent. of the issued share capital of Elandsfontein Land Holdings (Pty) ("ELH") in exchange for shares in the Company. The remaining shareholdings in Kropz Elandsfontein are held by ARC (26 per cent.) and Kropz SA (38 per cent.), with the remaining shareholdings in ELH held by ARC (30 per cent.) and Kropz SA (47 per cent.).

On 27 November 2018, the Company acquired a further four per cent. of the issued share capital of Kropz Elandsfontein from ARC.

On 30 November 2018, Kropz plc completed its admission to trading on the AIM market of the London Stock Exchange ("LSE").

The placing conducted as part of the AIM Admission raised gross proceeds of USD 35 million for the purpose of enabling the Group to:

- Complete the additional test work and engineering design necessary to bring Elandsfontein into production;
- Reduce the level of creditors at Elandsfontein;
- Allow greater access to capital to fund future corporate activities, including acquisitions;
- Define the programme for the development of the Hinda project;
- Explore the Company's greenfield Ghanaian project; and
- Fund the Company's working capital requirements.

Following the AIM admission and the issue of shares for the Offer, the issued share capital of the Company at 31 December 2018 was 261,881,253 ordinary shares. After the squeeze out of the Cominco minorities and the issue of shares for fees as part of the AIM Admission, the current issued share capital is 264,041,648 ordinary shares.

Operations

Kropz Elandsfontein

Elandsfontein has the second largest phosphate deposit in South Africa, behind Foskor's operation in Phalaborwa. The sedimentary deposit is a free-digging operation and does not involve drilling or blasting activities. Elandsfontein has been developed with the capacity to produce circa 1 Mtpa of rock concentrate from a shallow mineral resource which is expected to be sold on both local and international markets.

In excess of USD 100 million had previously been spent at Elandsfontein on project capital expenditure to construct the processing plant and infrastructure, initial mining and capitalised working capital.

Elandsfontein's logistics are advantageous and allow for relatively easy access to both local and international markets. The Company owns 74% of the share capital of Elandsfontein.

Development of Elandsfontein has enabled Kropz to achieve strong, long-term partnerships, including a positive relationship with one of Kropz Elandsfontein's significant shareholders, ARC, a South African based broad based black economic empowerment partner and a leading investment company listed on the Johannesburg Stock Exchange with a total net asset value of ZAR 9.6 billion (approximately USD 688 million) as at 31 December 2018.

Activity in the one month period to 31 December 2018

With the AIM Admission successfully completed on 30 November 2018, the focus during the remainder of the year was directed at the formulating of an action plan for the implementation of a project wide operational review in early 2019.

The process of finalising many of the Kropz Elandsfontein creditor payments was also initiated, with most of these being settled early in 2019 and in line with the AIM admission funding targets.

Mining and geology

The Elandsfontein resource is defined below, on a total and net attributable basis:

Mineral Resource Statement, as declared by Snowden and SRK on 31 October 2018

Gross								
Class	Quantity (Mt)	Grade (%P ₂ O ₅)	Grade (%Al ₂ O ₃)	Grade (%MgO)	Grade (%Fe ₂ O ₃)	Grade (%CaO)	Grade (%SiO ₂)	Contained P ₂ O ₅ (Mt)
Measured	47.5	10.3	1.2	0.2	1.0	14.9	69.8	4.9
Indicated	30.3	5.1	1.2	0.1	0.9	7.1	82.9	1.6
Inferred	23.3	5.5	1.2	0.1	1.0	7.5	82.5	1.3
Total	101.1	7.7	1.2	0.2	0.9	10.9	75.9	7.7
Net Attributable (74 per cent. attributable to the Company)								
Measured	35.2	10.3	1.2	0.2	1.0	14.9	69.8	3.6
Indicated	22.4	5.1	1.2	0.1	0.9	7.1	82.9	1.2
Inferred	17.2	5.5	1.2	0.1	1.0	7.5	82.5	0.9
Total	74.8	7.7	1.2	0.2	0.9	10.9	75.9	5.7

Plant and processing

The Company appointed DRA Mineral Projects ("DRA") to conduct the first phase of engineering design, while test work was on-going.

The scope of test work at Mintek was accelerated as soon as funding had been secured. The focus of the test work was to increase the scale of the laboratory test work completed, to pilot scale test work on a bulk sample that was taken from the mineralised horizon that constitutes the greater portion of the ore body.

Safety, health and environment

As at 31 December 2018, the lost time injury frequency rate per 200,000 man hours, was 0.182. No environmental or safety incidents were reported during this period.

Post Reporting Period Events and CSR/Sustainability

A five year plan, aligned with the 2018 Mining Charter, was submitted to the South African Department of Mineral Resources. The plan includes progressive improvements to obtain compliance on the employment equity and procurement objectives of the mining charter scorecard.

The Kropz Elandsfontein board has approved expenditure to maintain contributions and initiatives towards community projects for 2019. The projects identified include:

- The completion of an upgrade project for the Hopefield Thusong Centre, a community centre used for educational and healthcare purposes;
- Accreditation of skills through a 'recognition of prior learning' process, whereby individuals with specific work experience can obtain necessary qualifications, thus improving their opportunities for future employment;
- Development, training and support of small, medium and micro-enterprises within the Hopefield community;
- Continued training and development of artisans through learnership programmes (in conjunction with one of Elandsfontein's major contractors); and
- Bursaries for tertiary education for selected learners from within the Hopefield community.

Kropz Elandsfontein continues to engage with the local community on a regular basis.

Cominco SA - Hinda

The Hinda project, which is expected to be diluted to 90 per cent. through the participation of the RoC government, is believed to be one of the world's largest undeveloped phosphate reserves. It consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire in the RoC and includes the Hinda Exploitation Licence that covers 263.68 km² of the coastal basin. The Hinda project has a substantial JORC compliant Mineral Resource base totalling 675.8 Mt at a grade of 10.0 per cent. P₂O₅, with 86 per cent. included in the Measured and Indicated Mineral Resource categories.

As is the case with Elandsfontein, the sedimentary deposit is a free-digging operation and does not involve drilling and blasting activities. The 2015 definitive feasibility study ("DFS") showed positive economic results for a 4.1 Mtpa project. However, it is the Company's opinion that whilst the 2015 DFS reported a positive economic outcome, when taking into consideration the long-term supply/demand conditions of the phosphate rock market and the current economic market conditions, that an initially reduced capacity project targeting the production of approximately 1.5 Mtpa can be developed for a significantly lower level of upfront capital investment.

In support of the above strategy, Cominco SA has prepared a phased programme of work that will aim to review and verify the underlying design parameters, assess various optimisation opportunities and develop a proposed single solution to feasibility study level ("Option Study") within 12 months.

To date, prior to acquisition by Kropz, more than USD 40 million has been spent on project development, including drilling, metallurgical test work and feasibility studies.

The integration of the Kropz and Cominco operating teams was seen as a key priority, with immediate steps taken to bring key persons in each of these teams together and to begin to build the outline action plan and budget until 2020. A Board meeting was held on 14 December 2018 to acknowledge the resignation of the previous director of Cominco SA and the nomination of a new Kropz representative director to the board of Cominco SA.

In-country, the focus was on progressing the port occupancy agreement and sustaining solid on-the-ground relations with the local communities. Kropz also took control of all of the Cominco SA assets, including its bank

accounts, and initiated communications with a number of key stakeholders, including government, shareholders, service providers and other parties.

Mineral Resources

The Hinda resource is defined below, on a total and net attributable basis.

Mineral Resource Statement, as declared by SRK on 31 August 2018

Gross								
Class	Quantity (Mt)	Grade (%P ₂ O ₅)	Grade (%Al ₂ O ₃)	Grade (%MgO)	Grade (%Fe ₂ O ₃)	Grade (%CaO)	Grade (%SiO ₂)	Contained P ₂ O ₅ (Mt)
Measured	200.5	11.6	3.7	3.8	1.4	21.8	42.7	23.3
Indicated	380.9	9.8	5.0	3.3	1.8	17.6	48.5	37.3
Inferred	94.4	7.5	4.8	3.6	1.7	15.8	52.2	7.1
Total	675.8	10.0	4.6	3.5	1.7	18.6	47.3	67.7
Net Attributable (90 per cent. attributable to the Company)								
Measured	180.5	11.6	3.7	3.8	1.4	21.8	42.7	20.9
Indicated	342.8	9.8	5.0	3.3	1.8	17.6	48.5	33.6
Inferred	85.0	7.5	4.8	3.6	1.7	15.8	52.2	6.4
Total	608.2	10.0	4.6	3.6	1.7	18.6	47.3	60.9

Safety, health and environment

No environmental or safety incidents were reported during this period.

Sustainability

Cominco continued its interactions with the local communities associated with the Hinda project. The current community projects include:

- A curriculum vitae ("CV") development project being carried out within the local communities. These CVs will be required by Hinda when recruiting community staff for future operations, but they have also proved beneficial in enabling the local workforce to find employment with other economic operators within the region. The Company has thus far assisted 344 people with their CV development; and
- The installation of an orchard with 110 fruit trees is targeted for Siala school (the largest village situated on the site access road). The produce from this orchard will be for community consumption, with the choice of trees having been made by the community itself. A nursery has been established, with 25 safou trees, 30 mango trees, 30 avocado trees and 25 palm-oil trees, all of which will be transferred to the orchard site in the second half of 2019.

Post reporting period events

On 19 February 2019, Kropz was successfully able to implement a compulsory redemption of the remaining Cominco shareholders and now controls a 100 per cent. stake in Cominco.

In March 2019, DRA was commissioned to undertake an Option Study, assessing a number of throughput options for the Hinda project development, based on mining both the higher grade BM ore (as per the Starter Project option) or the full ore sequence (as per the Optimised Project). The objectives of the Option Study include:

- Port capacity - assessment of available port storage options at the Pointe-Noire Port;
- Conceptual time and motion model - development of a dynamic model to consider different mine output rates (900,000 tonnes per annum (“tpa”) to 1,800,000 tpa) of phosphate concentrate, trucked from site to port;
- Dynamic techno-economic models - using historic study information to derive cost estimates (capital expenditure and operating costs) as a function of throughput (900,000 tpa to 1,800,000 tpa) and the development of a dynamic techno-economic model (for both the Starter and Optimised Projects at Hinda) to investigate the economic impact of the range of mine output rates, and to conduct a ‘like for like’ trade-off between the two projects at various throughputs; and
- Developing preliminary mine schedules (pit optimisation) - using historic inputs (revised operating costs with historic recovery algorithms) and updated phosphate rock sales prices, derive updated mine schedules for select throughput scenarios.

At the end of 2018, Cominco received the supervisory authority to initiate the process of ratification of the Hinda exploitation convention (or Mining Investment Agreement), which sets out the legal and fiscal framework under which the Company will invest and operate within the RoC and was signed by all parties on 10 July 2018. This file has since been lodged with the Supreme Court, and that the process of ratification is currently in motion.

First Gear - Aflao

First Gear, a 50 per cent. + 1 share owned subsidiary of Kropz plc, is currently undertaking exploration work to confirm the Company’s belief that the phosphate bearing horizons of the Hahotoe-Kpogame-Kpeme (“HKK”) deposit in Togo extend into neighbouring Ghana.

The Aflao project area currently under review by First Gear is located in the Ketu South District, Volta Region, Ghana, referred to as the Keta Basin. Exploration undertaken in the 1960’s by the Geological Survey of Ghana (“GSG”) indicated the presence of calcareous phosphate bearing horizons in the area.

Phosphates have been mined since 1961 in the Keta basin in the southern parts of Togo by the state-owned company Societe Nouvelle des Phosphates du Togo (“SNPT”), near the capital city, Lome. Following the commencement of mining, preliminary investigations undertaken by the GSG in the 1960’s suggested that the mineralisation may extend westwards into Ghana. The GSG sampled phosphate bearing calcareous horizons intersected in a series of water wells drilled in the Keta Basin, near the town of Aflao, Ketu South District. The assay results obtained from the water drill holes were considered to be low at the time, with intersections ranging from 5 m to 11 m in thickness and with assays ranging from 14 per cent. to 22 per cent. P_2O_5 .

First Gear completed an initial two lines of MMI soil sampling in the target area, covering approximately 2 km of strike length, and determined that phosphate and other indicator element anomalies are present. The anomalies detected were similar in nature to those observed in a trial run undertaken in Togo where units of the known HKK deposit occur.

The SNPT mine in Togo is the single major producer in the country. The deposit produces a phosphate beneficiated product grade of approximately 36 per cent. P_2O_5 , placing it at the high end of the commonly traded phosphate rock scale.

First Gear intends to undertake a detailed exploration program with the intention of delineating a phosphate resource to support a beneficiation plant and associated infrastructure. The exploration program for the Aflao project will be completed using a phased approach. Phases 0 and 1 include registration, planning, MMI sampling,

geophysical survey, drone survey and the planning of the drilling program. Phase 2, which will include drilling, will then be implemented based on the outcome and results of Phase 1.

The aim of the program would be to prove, and obtain a Competent Person sign-off, on a high grade (+20 per cent. P₂O₅) resource, including a pre-feasibility study for the Aflao Project.

Administration

After the prospecting license was obtained on 12 October 2018, First Gear appointed Bentsi-Enchill Letsa and Ankomah Attorneys in Accra for the registration of the prospecting licence at the High Court, and registration in the Deeds office in the Volta Region. This work was completed in December 2018.

Historical geological information

Accessible historical geological information has been collated, including:

- Borehole logs of the HKK phosphate deposit, and using this information, a Micromine 3D geological model for the Togo deposit was created that will be used during the planning of the exploration program;
- Available historical reports on the area;
- Previous MMI sampling carried out in the area; and
- Satellite images of the area, including topographic information and infrastructure.

All the information has been gathered into a geological database.

Exploration planning

Detailed exploration planning of Phase 1 of the exploration programme was completed during the period. The work includes obtaining quotations for all third-party related cost, sample analysis, drone survey and geophysical survey equipment.

Safety, health and environment

No environmental or safety incidents were reported during this period.

Post reporting period events

Phase 1 of the exploration programme (non-invasive) plans to use various geological exploration methods to identify the mineralised zone to be targeted for future drilling, thereby allowing for the target area to be confirmed and narrowed down prior to initiation of the drilling campaign. The results generated during Phase 1 will also be used when developing the resource statement. A total of 244 additional MMI samples have been taken from an additional eight MMI lines, based on a 100 m by 500 m sampling grid, and have extended the total target strike length covered by MMI sampling to 6 km. All samples were sent to SGS (Tarkwa) for preparation and the resultant pulps have since been exported to SGS (Toronto) for analysis.

Strategy

The Group's long-term strategy is to build a portfolio of high quality phosphate mines and to be a major player within in the sub-Saharan African plant nutrient sector. Its priority is to bring the Elandsfontein mine into production and then to develop Hinda so as to be primed to take advantage of a recovery in phosphate prices.

Business model

The Group's business model is to source high quality resources at any stage of the development cycle and to bring them into production to contribute to the Group's strategic competitiveness and profitability.

Once production has commenced at Elandsfontein and Hinda, the Group may consider acquiring additional assets and/or developing some added downstream beneficiation opportunities, where the Board believes these could increase shareholder value.

Outlook and objectives for the year ahead

Objectives

Kropz plc

Kropz's overriding objective is to deliver maximum shareholder and stakeholder returns over the long term.

Elandsfontein

The immediate focus at Elandsfontein is to complete the additional Test Work required and subsequently bring the mine into production by the end of 2020.

Hinda

On completion of the Option Study, Cominco SA will commence a feasibility study to define the economics of the proposed development option. It is also envisaged that the expropriation process will commence and a relocation action plan will be initiated to secure the land prior to starting any construction work on site.

Cominco SA is hoping for completion of the ratification and formal implementation of the Hinda exploitation convention before the end of the year. It will also look to sign a formal port occupancy agreement so as to secure the space required for targeted future export operations out of Pointe-Noire.

Aflao

Detailed geological mapping of the project area is planned as part of the MMI programme to identify geological lithologies and outcrops that may be present.

A ground spectrometry survey will also be undertaken to identify anomalous areas. The multi-band gamma-ray survey will result in a detail domain map of various identified geological domains in the project area.

An elevation and ortho-photo survey of the area is also planned to provide First Gear with the following information:

- A high resolution georeferenced digital surface model of the project area;
- A high resolution georeferenced ortho-photo (aerial image) of the project area;
- A land-use classification map of the project area; and
- A geomorphological map of the project area.

This information is critical for the development of a base-map for the project, before any invasive exploration is initiated, especially with regards to land use, vegetation and housing.

Outlook

Kropz remains in a development phase, however the Company is confident in the inherent value contained within each of its core assets. Global phosphate rock demand and pricing continues to improve, and the work being carried out at its projects will provide Kropz with invaluable direction for the next phase of its development. The year ahead should provide the Group with a solid foundation for its future development.

Financial review for the period ended 31 December 2018

Summary financial highlights for the period:

- Total AIM Admission equity raise USD 35 million, before expenses;

- Accounts payable of USD 10 million, USD 8 million paid post year end;
- Cash at bank of USD 30 million; and
- Property, plant and equipment of USD 102 million.

Key performance indicators

The key performance indicators are fully aligned to the Group's strategic objectives and include an ongoing commitment to the highest standards of safety, health, environmental compliance and community engagement. Careful cash management and the delivery of sustainable long-term operations at each of our operating sites, are critical performance indicators.

Principal risks and uncertainties

The Company and the Group are subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Company and the Group's activities.

Development and operational risks

Elandsfontein and Hinda need to be developed through to commercial production. The operational targets will be subject to the completion of planned operational goals, on time and according to budget, and are dependent on the outcomes and effective support of personnel, systems, procedures and controls.

The successful commissioning and operation of the mines will depend on the maintenance of good relationships with and the solvency of its key contractors, and on access to appropriate infrastructure and the consistency of electricity and water supply. The Group may need to construct and support the construction of infrastructure and secure access to additional supplies of electricity and water.

Completion of commissioning of Elandsfontein

The Elandsfontein project requires a number of modifications to the processing facility and successful commissioning, in order to recommence operations in late 2020. Any delays or further issues in the receipt of final test work results, procurement or delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the operation. There can be no guarantee that implementation of the modifications identified by Elandsfontein and its technical consultants will result in a successful commissioning of the mine.

The Group places significant importance on its relationship with contractors and other stakeholders and endeavours to use competent people with appropriate skills to manage such risks and where appropriate engages expert contractors.

Hinda exploitation convention

The Hinda exploitation convention provides a set of protection rights, including the RoC's guarantees in relation to the Hinda project's operations, and sets out the company's and its shareholder's commitments in terms of working programmes and corresponding financings.

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

The adoption, by Parliament, of the law of approbation of the Hinda exploitation convention and the subsequent publication of the approbation law in the Official Gazette will protect the company against any third party claim aiming at challenging the benefit, by Cominco S.A., of the legal regimes and tax and customs incentives granted to it under the Hinda convention which go beyond the existing laws. This procedure elevates the Hinda

Exploitation Convention to the rank of a special law and prevents any third party action aiming at challenging Cominco S.A.'s benefit of the conventional regime and incentives which go beyond the existing laws. In the absence of Parliamentary approval, the Hinda exploitation convention would remain binding on the RoC. However, the incentives and regimes granted by the Hinda exploitation convention that go beyond existing laws could be disputed in Court by the third parties. Any failure or delay of Parliament to approve the Hinda exploitation convention (and the subsequent publication of the approbation law in the Official Gazette), could have a detrimental effect on the business, operations and financial performance of the Group.

Commodity price risk

The demand for, and market price of, phosphate rock is dependent on supply and demand. Mineral prices fluctuate widely and in recent years global phosphate rock and fertiliser supply growth has out-paced demand leading to a decline in prices.

The Company monitors movements in expected supply, demand and prices and CRU forecasts an increase in phosphate rock demand and believes that the relatively low cadmium content of the Elandsfontein and Hinda rock could improve its marketability.

Political risk

As a consequence of activities in different parts of Africa, the Group may be subject to political, economic and other uncertainties including but not limited to sabotage, terrorism, war or unrest, changes in national laws and policies and exposure to different legal systems.

The Group seeks to establish good working relationships with the relevant national regulatory authorities and monitors changes through partners, news feeds and consultants.

Environmental risk

Existing and possible future environmental and safety legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. There is currently an internal administrative appeal against the water use licence ("WUL") which is pending before the Water Tribunal. The applicant and appellant are a small group of local residents that are opposed to Elandsfontein. The administrative appeal currently pending before the Water Tribunal seeks the setting aside of the mine's WUL. Kropz Elandsfontein has submitted comprehensive responding submissions; however, the Water Tribunal has yet to set the appeal down for hearing. Pending the Water Tribunal's decision, there is no legal impediment to the continuation with the water use activities authorised in the WUL.

The Group employs staff experienced in the requirements of the relevant environmental authorities and seeks through their experience to mitigate the risk of non-compliance with accepted best practice.

Financial risk and commercial viability of future projects

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

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

The Group's projects may require greater investment than currently expected or suffer delays or interruptions, which could cause cost overruns. Any such delay, interruption or cost overruns in implementing the enlarged Group's planned capital investments could result in the Group failing to complete the projects and a reduction in future production volumes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the projects may not prove to be commercially viable upon completion.

The Group has a fully drawn down project financing facility with BNP Paribas for USD 30 million, the full details which are set out in note 15 of the Annual Financial Statements. The Group meets regularly with its bankers and two significant shareholders represented on the board regarding commitments and future projects.

Governance

The Board considers sound governance as a critical component of the Group's success and the highest priority. The Company has an effective and engaged Board, with a strong non-executive presence from diverse backgrounds, and well-functioning governance committees. Through the Group's compensation policies and variable components of employee remuneration, the Remuneration and Nomination Committee ("Remuneration Committee") of the Board seeks to ensure that the company's values are reinforced in employee behaviour and that effective risk management is promoted.

More information on our corporate governance can be found in the Corporate Governance Report on pages 27 to 39 of the Annual Report.

This Strategic Report was approved by the Board of Directors.

Ian Timothy Harebottle

Chief Executive Officer

21 June 2019

Consolidated Statement and Financial Position as at 31 December 2018

		31 December
		2018
	Notes	US\$'000
Non-current assets		
Property, plant, equipment and mine development	5	101,826
Exploration assets	6	40,772
Other financial assets	8	1,623
		144,221
Current assets		
Inventories	9	861
Amounts due from a director	7	33
Trade and other receivables	10	331
Cash and cash equivalents	11	30,457
		31,682
TOTAL ASSETS		175,903
Current liabilities		
Trade and other payables	17	11,956
Other financial liabilities	15	518
		12,474
Non-current liabilities		
Shareholder loans	14	14,386
Other financial liabilities	15	29,551
Tax payable		66
Provisions	16	3,931
		47,934
TOTAL LIABILITIES		60,408

NET ASSETS

115,495

Shareholders' equity

Share capital	12	335
Share premium	12	142,026
Merger reserve	13	(20,523)
Accumulated losses		(6,255)
Foreign exchange translation reserve	13	(1,226)
Total equity attributable to the owners of the Company		114,357
Non-controlling interests	31	1,138
		115,495

Mark Summers, Chief Financial Officer

		Period ended 31 December 2018 US\$'000
	Notes	
Revenue		-
Other income		2
Operating expenses		(5,674)
Operating loss	21	(5,672)
Finance income	20	382
Finance expense	23	(2,321)
Loss before taxation		(7,611)
Taxation	24	(66)
Loss after taxation		(7,677)

Consolidated Statement of Comprehensive Income

Loss attributable to:

Owners of the Company	(6,255)
Non-controlling interests	(1,422)
	<u>(7,677)</u>

Loss for the period (7,677)

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	(956)
- Exchange differences on translating foreign operations	(270)

Total comprehensive loss (8,903)

Attributable to:

Owners of the Company	(7,481)
Non-controlling interests	(1,422)
	<u>(8,903)</u>

Earnings per share attributable to owners of the Company:

Basic and diluted (US\$)	25	<u>(0.25)</u>
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Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 10 January 2018	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,226)	(6,255)	(7,481)	(1,422)	(8,903)
Issue of shares	335	143,297	14,878	-	-	158,510	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	(35,401)	-	-	(35,401)	2,560	(32,841)
Transactions with owners	335	142,026	(20,523)	-	-	121,838	2,560	124,398
Balance at 31 December 2018	335	142,026	(20,523)	(1,226)	(6,255)	114,357	1,138	115,495

Consolidated Statement of Cash Flows

	Period ended
	31 December
	2018
Note	US\$'000
Cash flows from operating activities	
Loss before taxation	(7,611)
Adjustments for:	
Depreciation of property, plant and equipment	457
Finance income	(55)
Finance costs	771
Fair value gains on game animals	32
Operating cash flows before working capital changes	(6,406)
Increase in trade and other receivables	(240)
Increase in payables	1,989
Decrease in amounts due to related parties	(47)
Increase in provisions	534
Foreign currency exchange differences	(2,611)
Net cash flows used in operating activities	(6,781)
Cash flows used in investing activities	
Purchase of property, plant and equipment	(505)
Decrease in loans receivable	293
Acquisition of subsidiaries, net of cash acquired	303
Finance income received	54
Net cash flows from investing activities	145
Cash flows from financing activities	
Finance costs paid	(771)

Shareholder loan received		696
Other financial liabilities		867
Issue of ordinary share capital net of share issue costs		36,364
Net cash flows from financing activities		37,156
Net increase in cash and cash equivalents		30,520
Cash and cash equivalents at beginning of the period		-
Foreign currency exchange losses on cash		(63)
Cash and cash equivalents at end of the period	11	30,457

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

(1) General information

Kropz plc ("the Company") and its subsidiaries (together, "the Group") is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa, a large-scale phosphate project in the Republic of Congo ("RoC") and exploration assets in Ghana. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company was incorporated on 10 January 2018 and is a public limited company, with its ordinary shares admitted to the AIM Market of the London Stock Exchange on 30 November 2018 trading under the symbol, "KRPZ". The Company is domiciled in England and incorporated and registered in England and Wales. The address of its registered office is Suite 4F Easistore Building, Longfield Road, North Farm Estate, Tunbridge Wells TN2 3EY. The registered number of the Company is 11143400.

The Company entered into a number of agreements during 2018, as more fully described in Note 12, to acquire phosphate assets and in turn become the holding company of the Group with interests in three projects - in Ghana, South Africa and the RoC.

(2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), issued by the International Accounting Standards Board ("IASB"), including interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The Consolidated Financial Statements are presented in United States Dollars, the presentation currency of the Company and figures have been rounded to the nearest thousand.

Going concern

During the period ended 31 December 2018, the Group incurred a loss of USD 8 million and experienced net cash outflows from operating activities of USD 6.8 million. Cash and cash equivalents totalled USD 30 million as at 31 December 2018. 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.

The directors have prepared a cash flow forecast which indicates that the Group will not have sufficient liquidity to meet its forecast working capital requirements to the end of the going concern period, primarily being corporate costs, exploration expenditure, and costs related to the Aflao and Hinda projects with an additional USD 4 million required in order for the Group to meet its targeted objectives for these projects. Additional funding is also going to be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, with various options being considered by the Board on how and when best to source this additional funding.

Forecast costs in the next 12 months are in aggregate approximately USD 10 million. However, a significant portion of this cost base is not yet committed, pending completion of a potential fund raise, further steps can also be taken to reduce forecast overheads if required.

The directors have therefore considered mitigating actions, which include:

- Completion of a capital raising; and;
- Managing and deferring costs where applicable to coincide with a capital raising activity to ensure that all obligations can be met.

The directors are planning to raise approximately USD 4 million additional capital in the short term to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that funding will be secured and therefore that the operational and financial plans in place are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due.

The ability of the Group to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to 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.

On the basis of the forecasts, the Directors have concluded that it is appropriate to prepare the Group's Consolidated Financial Statements on a going concern basis.

Functional and presentational currencies

The Consolidated Financial Statements are presented in US Dollars.

The functional currency of Kropz plc is Pounds Sterling and its presentation currency is United States Dollars, due to the fact that US Dollars is the recognised reporting currency for most listed mining resource companies on AIM.

The functional currency of Kropz SA and its subsidiaries (as shown below) is South African Rand, being the currency in which the majority of the companies' transactions are denominated.

The functional and presentation currency of First Gear is US Dollars.

The functional currencies of Cominco and its subsidiaries are Euros, Pounds Sterling and Central African Francs being the currency in which the majority of the companies' transactions are denominated. Its presentation currency is US Dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction.

At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to satisfy the requirements of IAS 21 with respect to presentation currency, the consolidated financial statements have been translated into US Dollars using the procedures outlined below:

- Assets and liabilities where the functional currency is other than US Dollars were translated into US Dollars at the relevant closing rates of exchange;
- Non-US Dollar trading results were translated into US Dollars at the relevant average rates of exchange;
- Differences arising from the retranslation of the opening net assets and the results for the period have been taken to the foreign currency translation reserve; and
- Share capital has been translated at the historical rates prevailing at the dates of transactions; and
- Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

Adoption of new and revised International Financial Reporting Standards

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which came into effect from 1 January 2018. IFRS 15 does not have material impact as the Group is not currently generating any income.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of the standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial information.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 from incorporation on 10 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments:

Recognition and Measurement

The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognized through profit and loss as they arise ("FVTPL"), unless restrictive criteria are met for classifying and measuring the asset at either Amortized Cost or Fair Value Through Other Comprehensive Income ("FVOCI").

IFRS 9 makes other changes to the IAS 39 requirements for classifying and measuring financial assets and liabilities. These include:

- Allowing trade receivables that don't have a significant financing component to be measured at undiscounted invoice price rather than fair value;
- Restricting optional FVPL and FVOCI designations;
- Permitting OCI treatment of changes in the fair value attributable to the issuer's credit risk for liabilities designated as FVPL; and
- Setting new criteria for reclassifying of financial assets and liabilities.

Measurement at initial recognition

IFRS 9 carries forward with one exception the IAS 39 requirement to measure all financial assets and liabilities at fair value at initial recognition (adjusted in some cases for transaction costs). The exception is for trade receivables that do not contain a significant financing component, as defined by IFRS 15, Revenue from Contracts with Customers. As the Group's trade receivables do not contain a financing element with terms of less than one year, these are measured at the transaction price (e.g., invoice amount excluding costs collected on behalf of third parties, such as sales taxes).

Classification and subsequent measurement

Financial assets:

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's principal financial assets are cash and cash equivalents and receivables.

The Group has assessed the impact of IFRS 9 on the impairment of its financial assets, including the trade and other receivables balance. The Group has applied its impairment methodology to the simplified approach of the expected credit loss model and grouped the receivables based on shared characteristics, including line of business, and days past due. The simplified approach is only applicable for trade receivables. After identifying the impairment loss under this method, management has concluded that the impairment is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be amortised and the lease liabilities will be measured at amortised cost.

IFRS 16 removes the distinction between finance and operating leases. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

IFRS 16 is mandatory from 1 January 2019, with earlier application permitted.

On initial adoption of IFRS 16 the Group will be required to capitalise its rented properties at the lease commencement date in the statement of financial position by recognising them as right-of-use assets and their corresponding lease liabilities. The right-of-use assets will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 and will include required additional disclosures in its financial statements for that financial year.

The right-of-use asset will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

As at 31 December 2018, the Group had not entered into any property leases which had commenced prior to the year-end. One lease was signed in January 2019.

Annual Improvements to IFRSs 2014–2016

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of this financial information which have not been adopted early:

Standard	Description	Effective date
IFRS 16	Lease	1 January 2019
IFRS 17	Insurance Contracts	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate	Unknown
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 January 2019

The directors do not expect that the adoption of new standards will have a material impact on the financial statements of the Company in future periods.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the subsidiaries listed in Note 4.

Details regarding the strategic decisions to acquire Kropz SA, First Gear and Cominco can be found in the Chairman's statement and Strategic report on pages 3, 4 and 5 respectively.

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests

Corporate reorganisation

Kropz SA and First Gear became subsidiaries of the Company following the completion of Share Purchase Agreements on 27 November 2018 and 4 June 2018 respectively. The Company is now the parent holding company of these subsidiaries. Prior to the group restructuring the subsidiaries were controlled by Kropz International, a company incorporated in Luxembourg.

The share for share acquisitions of Kropz SA and First Gear and its subsidiary companies by Kropz plc were that of a re-organisation of entities which were under common control. Both entities had the same management as well as majority shareholders.

The acquisitions are considered a combination of entities under common control and, under IFRS 3:2(c), are excluded from the scope of that Standard.

In the absence of specific IFRS literature on the topic, the Group has applied the requirements of IAS 8:10 to 12 in its consolidated financial statements and has chosen to account for both of the transactions at the subsidiaries' carrying amounts at the date of the transactions (i.e. as a predecessor value method of accounting).

The Directors have therefore decided that it is appropriate to reflect these combinations using the predecessor value method of accounting in order to give a true and fair view. No fair value adjustments were made as a result of the combinations.

Under these accounting principles, the assets and liabilities of both entities to a transaction are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance with applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the income statement.

Under the predecessor value method of accounting, the following principles have been applied:

- Assets and liabilities of the combining entities have been combined at their respective book values;
- No goodwill nor negative goodwill has been recognised;
- The difference between the Group's cost of investment and the acquiree's equity is presented as a separate merger reserve within equity on consolidation;
- The results of the acquiree have been consolidated only from the date of the combination and pre-combination reserves eliminated on combination.; and
- Adjustment is made to reflect the profit attributable to the non-controlling interest in the acquiree prior to the combination.

Accounting for asset acquisition within a corporate structure

Acquisitions of mineral assets through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration.

Non- controlling interests

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Merger relief

The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve. In the case of the Company's acquisition of Cominco, where shares were acquired on a share for share basis, then merger relief has been applied to those shares issued in exchange for shares in Cominco.

(c) Property, plant, equipment and mine development

Property, plant, equipment and mine development includes buildings and infrastructure, machinery, plant and equipment, site preparation and development and essential spare parts that are held to minimise delays arising from plant breakdowns, that are expected to be used during more than one period.

Assets that are in the process of being constructed are measured at cost less accumulated impairment and are not depreciated. All other classes of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Land is depreciated over the life of the mine.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including:

- The estimated costs of decommissioning the assets and site rehabilitation costs to the extent that they related to the asset
- Capitalised borrowing costs
- Capitalised pre-production expenditure
- Topsoil and overburden stripping costs

The cost of items of property, plant and equipment are capitalised into its various components where the useful life of the components differs from the main item of property, plant and equipment to which the component can be logically assigned. Expenditure incurred to replace a significant component of property, plant and equipment is capitalised and any remaining carrying value of the component replaced is written off as an expense in the income statement.

Direct costs incurred on major projects during the period of development or construction are capitalised. Subsequent expenditure on property, plant and equipment is capitalised only when the expenditure enhances the value or output of the asset beyond original expectations, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs incurred on repairing and maintaining assets are recognised in the income statement in the period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Capitalised borrowing costs comprise interest paid on shareholder loans incurred pre-production in Kropz Elandsfontein.

Depreciation

All items of property, plant and equipment are depreciated on either a straight-line method or unit of production method at cost less estimated residual values over their useful lives as follows:

Item	Depreciation method	Average useful life
Buildings and infrastructure		
Buildings	Units of production	Life of mine*
Roads	Straight-line	15 years
Substation	Straight-line	15 years
Machinery, Plant & Equipment		
Fixed plant and equipment	Units of production	Life of mine*
Critical spare parts	Straight-line	2-15 years
Furniture and fittings	Straight-line	6 years
Motor vehicles	Straight-line	5 years
Computer equipment	Straight-line	3 years
Mineral exploration site preparation	Units of production	Life of mine*
Stripping activity	Units of production	Life of identified ore*

*Depreciation of mining assets is computed principally by the units-of-production method over life-of-identified ore based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

Useful lives and residual values

The asset's useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

Stripping activity asset

The costs of stripping activity which provides a benefit in the form of improved access to ore is capitalised as a non-current asset until ore is exposed where the following criteria are met:

- it is probable that future economic benefit in the form of improved access to the ore body will flow to the entity;
- the component of the ore body for which access has been improved can be identified; and
- the cost of the stripping activity can be reliably measured.

The stripping activity is initially measured at cost and subsequently carried at cost less depreciation and impairment losses.

(d) Mineral exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Following the granting of a prospecting right, general administration and overhead costs directly attributable to exploration and evaluation activities are expensed and all other costs are capitalised and recorded at cost on initial recognition.

The following expenditures are included in the initial and subsequent measurement of the exploration and evaluation assets:

- Acquisition of rights to explore;
- Topographical, geological, geochemical or geographical studies;
- Exploratory drilling;
- Trenching;
- Sampling;
- Activities in relation to the evaluation of both the technical feasibility and the commercial viability of extracting minerals;
- Exploration staff related costs; and
- Equipment and infrastructure.

Exploration and evaluation costs that have been capitalised are classified as either tangible or intangible according to the nature of the assets acquired and this classification is consistently applied.

If commercial reserves are developed, the related deferred exploration and evaluation costs are then reclassified as development and production assets within property, plant and equipment.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment in accordance with IFRS 6.

(e) Game animals

Game animals are wild animals that occur on the farm properties owned by the Group. The animals are owned by Elandsfontein Land Holdings Pty Ltd and held within the approximately 5,000 hectares of farmland owned by the company. The property is appropriately fenced with game specific fencing. These animals are managed in terms of a game management plan and excess animals are either sold as live animals or harvested as and when required based on estimated stocking levels and vegetation conditions. Law in South Africa specifies that wild animals are the property of the owner of the land that they occupy.

Game animals are measured at their fair value less estimated point-of-sale costs, fair value being determined upon the age and size of the animals and relevant market prices. Market price is determined on the basis that the animal is either to be sold to be slaughtered or realised through sale to customers at fair market value.

Fair market value of game animals is determined by using average live game animal selling prices achieved at live game animal auctions during the relevant year and published from time to time on game animal auctioneering websites.

(f) Financial instruments

Classification and measurement

The Group classifies its financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost; and

- Financial liabilities measured at amortised cost.

Classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

Financial assets held at amortised cost

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the "solely payments of principal and interest" (SPPI) criteria.

At initial recognition, trade and other receivables that do not have a significant financing component are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

Impairment of financial assets

A forward-looking expected credit loss (ECL) review is required for debt instruments measured at amortised cost or held at fair value through other comprehensive income, financial guarantees not measured at fair value through profit or loss and other receivables that give rise to an unconditional right to consideration.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade receivables, contract assets and lease receivables and the "general approach" to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are classified as financial assets at amortised cost.

Trade and other payables

Trade and other payables are classified as financial liabilities at amortised cost.

Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(g) Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred tax assets and liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit and differences relating to investments in subsidiaries to the extent they are controlled and probably will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax expense

Tax expense is recognised in the same component of total comprehensive income (i.e. continuing operations, discontinued operations, or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

(h) Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Plant spares and consumables stores are capitalised to the balance sheet and expensed to the income statement as they are utilised.

Spares and consumables are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Obsolete, redundant and slow-moving items of spares and consumables are identified on a regular basis and written down to their net realisable value.

Inventories are included in current assets, unless the inventory will not be used within 12 months after the end of the reporting period.

(j) Provisions and contingencies

Environmental rehabilitation

The provision for environmental rehabilitation is recognised as and when an obligation to incur rehabilitation and mine closure costs arises from environmental disturbance caused by the development or ongoing production of a mining property. Estimated long-term environmental rehabilitation provisions are measured based on the Group's environmental policy taking into account current technological, environmental and regulatory requirements. Any subsequent changes to the carrying amount of the provision resulting from changes to the assumptions as to the timing of the rehabilitation applied in estimating the obligation are recognised in the statement of profit or loss and other comprehensive income.

The provisions are based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date, using the risk-free rate and the risk adjusted cash flows that reflect current market assessments and the risks specific to the provisions. Increases due to the additional environmental disturbances are capitalised and amortised over the remaining life of the mine.

Ongoing rehabilitation expenditure

Ongoing rehabilitation expenditure incurred is offset against the recognised provision in the statement of other comprehensive income.

Decommissioning provision

The estimated present value of costs relating to the future decommissioning of plant or other site preparation work, taking into account current environmental and regulatory requirements, is capitalised as part of property, plant and equipment, to the extent that it relates to the construction of an asset, and the related provisions are raised in the statement of financial position, as soon as the obligation to incur such costs arises.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from the subsequent changes in the estimated amount of cash flows, are added to, or deducted from, the cost of the related asset in the current period. Other changes are charged to profit or loss. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on impairment of non-financial assets above.

(k) Share capital and equity

Ordinary shares are classified as equity and are recorded at the proceeds received net of issue costs.

(l) Borrowing costs

Interest on borrowings directly related to the financing of qualifying capital projects under development is added to the capitalised cost of those projects during the development phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance the project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project forming part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Qualifying assets are assets that necessarily take a substantial period of time (more than 12 months) to get ready for their intended use or sale. Borrowing costs are added to the cost of these assets, until the assets are substantially ready for their intended use or sale.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(m) Employee benefits

The cost of short-term employee benefits, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

(n) Intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

(o) Finance income

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

(p) Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-settled share based payments to non-employees are measured at the fair value of services received, or if this cannot be measured, at the fair value of the equity instruments granted at the date that the Group obtains the goods or counterparty renders the service.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Where there are no vesting conditions, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the Directors' Report and Note 12 to the Consolidated Financial Statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

(i) Corporate reorganisation

The share for share acquisitions of First Gear and Kropz SA (and its subsidiary companies) by Kropz plc have been accounted for as acquisition of entities under common control.

Both Kropz SA and First Gear were under common control of the same ultimate beneficial owners and effectively operated as a group under common management throughout the period covered by the Financial Statements for the period ended 31 December 2018.

As more fully described in Note 2 (b) the Company has applied the predecessor value method of accounting in respect of the share for share acquisitions of Kropz SA and First Gear. It has chosen to account for both of the transactions at the subsidiaries' carrying amounts at the date of the transactions with no fair value adjustments made as a result of the combinations with no goodwill recognised on acquisition. The Company is not obliged to restate the comparative periods in its consolidated financial statements as if it had acquired the subsidiaries at the beginning of the earliest period presented and accordingly no comparative date has been presented in respect of these acquisitions.

In particular, management has considered the usefulness of presenting comparative information in developing its accounting policy and, concluded that not restating comparative information would not be detrimental to the users of the financial statements.

(ii) Control over the activities of First Gear

The acquisition of First Gear by the Company has been accounted for on the basis of the Company having control with effect from acquisition and holding 50% plus one share. Management considers that it controls First Gear as this holding gives the Company control over its strategic, operational and financing decisions.

(iii) Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off in the net profit or loss in the period when the new information becomes available. In situations where indicators of impairment are present for the Group's exploration and evaluation, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell.

(iv) Functional currency

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic environment each entity operates in. The Group first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services.

In determining functional currency, the Group also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. See note 29 for sensitivity analysis of foreign exchange risk.

(v) Decommissioning and rehabilitation provisions

Quantifying the future costs of these obligations is complex and requires various estimates and judgements to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the Department of Mineral Resources, have been used to estimate future rehabilitation costs.

(vi) Other financial assets

The Group has given guarantees to a number of third parties as described in Note 8 and lodged funds as security.

The amounts are recoverable subject to satisfactory performance of certain conditions which requires judgement as to the likelihood of the return of such guarantees. At the balance sheet date the Directors make judgements on the amounts expected to be returned and consider that all amounts are recoverable.

(vii) Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Management's judgement is that due to the mine remaining in care and maintenance it is premature to recognise a deferred tax asset for the accumulated tax losses.

Key sources of estimation uncertainty

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock and mine production levels.

Property, plant and equipment

The depreciable amount of property, plant and equipment is allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions with regard to the residual value of assets based on the expected estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful lives of property, plant and equipment that is depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

This estimate is further impacted by management's best estimation of proved and probable phosphate ore reserves and the expected future life of each of the mines within the Group. The forecast production could be different from the actual phosphate mined. This would generally result from significant changes in the factors or assumptions used in estimating phosphate reserves. These factors include:

- changes in proved and probable ore reserves;
- differences between achieved ore prices and assumptions;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing, reclamation and logistics costs, discount rates and foreign exchange rates

Any change in management's estimate of the useful lives and residual values of assets would impact the depreciation charge. Any change in management's estimate of the total expected future life of each of the mines would impact the depreciation charge as well as the estimated rehabilitation and decommissioning provisions.

Life of mine

Life of mine is defined as the remaining years of production, based on proposed production rates and ore reserves and will be assessed as soon as additional exploration drilling has been performed and further reserves proven based on additional test results.

(3) Group reorganisation

(a) Acquisition of First Gear

On 4 June 2018, the Company acquired a 50 per cent. + 1 share interest in the share capital of First Gear from its largest shareholder, Kropz International, who owned 75 per cent of First Gear. The shareholders of First Gear entered into a shareholders' agreement pursuant to which the parties agreed the basis on which First Gear would finance its activities.

On 21 August 2018, the Company issued 163,221 ordinary shares to Kropz International at 56 pence per ordinary share pursuant to a share for share agreement exchange whereby Kropz International received 163,221 ordinary shares in consideration for the transfer of:

- (i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and
- (ii) (ii) the novation rights and obligations under the First Gear loan agreements with Kropz International and of Michael Nunn to the Company.

First Gear was under common control of the same ultimate beneficial owners and effectively operated as a group under common management throughout the period covered by the Financial Statements for the period ended 31 December 2018. The consideration is summarised as follows:

	US\$'000
Consideration	122
Allocated as to:	
(i) 1,125,001 shares in First Gear	5
(ii) the Novation of:	
- Sellers loan (Kropz International)	70
- Michael Nunn loan	47
	122

The following table summarises the consideration paid for First Gear and the carrying value of net liabilities assumed at the acquisition date:

	Fair value
Consideration	US\$'000
Total consideration for shares as above	5
Total identifiable net liabilities assumed:	
Cash	3
Trade and other receivables	2
Trade and other payables	(120)
	(115)
Amount transferred to exploration and evaluation assets	62
Non-controlling interests	58
Total	5

First Gear contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 24,000 loss before tax.

If the acquisition of First Gear had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been USD 28,000 higher.

Acquisitions of South African assets

Under a series of share purchase agreements, a re-organisation of the Kropz Group's South African assets was effected, including:

- A share-for-share exchange whereby Kropz International sold 100 per cent of its equity and loan interests in Kropz SA to Kropz plc on 27 November 2018;
- The acquisition by ARC of Tiestabyte (Pty) Ltd's 5 per cent equity and loan interests in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 32 per cent interest in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 23% interest in ELH on 27 November 2018;
- The sale by ARC of a further 4 per cent interest in Kropz Elandsfontein to Kropz Plc in exchange for the issue of Kropz plc shares on 27 November 2018.

Steps in re-organisation

1. On 26 November 2018, immediately prior to the re-organisation on 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 ordinary shares of 0.1 pence only and 663,221 deferred shares of £0.099 each in the capital of the Company;
2. On 27 November 2018, the Company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company (the "Buy-back Share") to Kropz International in cash for 1 pence;
3. On 27 November 2018, the Company issued 93,260,034 ordinary shares (the "Reorganisation Shares") to Kropz International at 61.3 pence per ordinary share pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company and Kropz International whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of USD 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of USD 30,743,792; and (vi) the benefit of the outstanding ELH loan account of USD 1,692,072;
4. On 27 November 2018, the Company bought back the deferred shares for an aggregate sum of 1 pence and these were then cancelled; and
5. On 27 November 2018, the Company issued 5,499,124 ordinary shares to the ARC (the "ARC Consideration Shares") at 40 pence per ordinary share pursuant to a share purchase agreement whereby ARC received the ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein.

The principal agreements governing the acquisitions were:

(i) Reorganisation, asset and share purchase agreement

An asset and share purchase agreement dated 27 November 2018 between the Company and Kropz International pursuant to which the Company was inserted as the new holding company of the Kropz Group.

Pursuant to the agreement the Company purchased from Kropz International:

- i. the entire issued share capital of Kropz SA;
- ii. 32 per cent. of the issued share capital of Kropz Elandsfontein (the remaining shareholding in Kropz Elandsfontein is held by Kropz SA (38 per cent.) and the ARC (30 per cent));
- iii. 23 per cent. of the issued share capital of ELH (the remaining shareholding in ELH is held by Kropz SA (47 per cent.) and the ARC (30 per cent.);

- iv. the benefit of the outstanding Kropz SA loan account of US D1,494,066;
- v. the benefit of the outstanding Kropz Elandsfontein loan account of USD 32,162,463; and
- vi. the benefit of the outstanding ELH loan account of USD 1,728,233,

for a total consideration of USD 78,230,310.

The consideration was satisfied by the issue and allotment of 93,260,034 ordinary shares ("Reorganisation Shares") to Kropz International at 61.3 pence per ordinary share.

The transfer of shares, the acquisition of the loan accounts and the issue and allotment of the Reorganisation Shares under the share purchase agreement occurred on 27 November 2018. Under the share purchase agreement Kropz International provided customary title and capacity warranties.

Following completion of the acquisition there remained only certain small loans amounts owing from Kropz SA, Kropz Elandsfontein and ELH to Kropz International.

(ii) Kropz Elandsfontein Share Purchase Agreement

A share purchase agreement dated 27 November 2018 between the Company and ARC pursuant to which the Company purchased from the ARC four per cent. of the issued share capital of Kropz Elandsfontein in consideration for the issue and allotment of 5,499,124 ordinary shares in Kropz plc to the ARC at 40 pence per ordinary share.

(b) Acquisition of Kropz SA and its subsidiaries

As it is an acquisition of more than 90% of the share capital, merger relief has been applied.

The following table summarises the consideration paid for the Kropz SA assets and the carrying value of net liabilities assumed at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	3,814
Total identifiable net liabilities assumed:	
Cash	96
Trade and other receivables	29
Other financial assets	317
Trade and other payables	(1,799)
	(1,357)
Amounts transferred to merger reserve	5,168
Non-controlling interests in Xsando (Pty) and West Coast Fertilisers (Pty)	3
Total	3,814

The amount of USD 5,168,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

Kropz SA contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 0.64m loss before tax. If the acquisition of Kropz SA had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been USD 1.0m higher.

(c) Acquisition of Kropz Elandsfontein

The following table summarises the consideration paid for Kropz Elandsfontein and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	40,425
Total identifiable net asset acquired:	
Property, plant, equipment and mine development	102,915
Cash	1,751
Trade and other receivables	90
Inventory	891
Trade and other payables	(57,925)
Borrowings	(29,702)
Provisions	(4,211)
Total identifiable net assets acquired	13,809
Amounts transferred to merger reserve	28,857
Non-controlling interests	(2,241)
Total	40,425

The amount of USD 28,857,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

Kropz Elandsfontein contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 5.2m loss before tax. If the acquisition of Kropz Elandsfontein had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been approximately USD 21.4m higher.

(d) Acquisition of ELH

The following table summarises the consideration paid for ELH and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	1,422
Total identifiable net assets acquired:	
Property, plant and equipment	2,476
Cash	1
Trade and other receivables	2
Trade and other payables	(2,480)
Total identifiable net liabilities assumed	(1)
Amounts transferred to merger reserve	1,376
Non-controlling interests	47
Total	1,422

The amount of USD 1,376,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

ELH contributed US\$nil of revenue for the period between the date of acquisition and the balance sheet date and US\$0.16m loss before tax. If the acquisition of ELH had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been approximately US\$0.7m higher.

Following completion of the re-organisation, Kropz plc owns, directly and indirectly:

- 50 per cent + 1 share of First Gear;
- 100 per cent of the issued share capital of Kropz SA;
- 74 per cent of the issued share capital of Kropz Elandsfontein (36 per cent directly, 38 per cent indirectly); and
- 70 per cent of the issued share capital of ELH (23 per cent directly, 47 per cent indirectly).

(e) Acquisition of Cominco Resources

On 10 August 2018 Kropz plc entered into an exclusivity agreement for the proposed acquisition by Kropz plc of Cominco Resources. Cominco Resources, which through its wholly owned subsidiary, Cominco S.A., owns 100 per cent of the Hinda Phosphate Project.

Cominco is a company incorporated and domiciled in the BVI with Company Number BV No 1416753. Cominco is the parent company of the Cominco Group, which includes the following subsidiaries in the consolidated financial statements:

- Cominco S.A (RoC) – 100 per cent interest held
- Cominco Resources (UK) Ltd (England and Wales) - 100 per cent interest held

The Cominco Group operates solely in the RoC and Cominco S.A holds the licences for the Cominco Group's natural resource interests in RoC.

Pursuant to the Cominco offer document dated 1 November 2018, Kropz plc made an offer to acquire the share capital of Cominco at the date of admission of Kropz plc's shares to trading on AIM.

Under this Offer agreement, the key shareholders, Cominco and Kropz plc agreed the sale of their shares in Cominco for USD 85.17 cents per share (amounting to a USD 40 million enterprise value), to be satisfied by the issue of Kropz plc shares upon Kropz plc's shares being admitted to trading on the AIM market of the London Stock Exchange. The offer was conditional, inter alia, on Kropz plc raising a minimum of USD 35 million pursuant to the placing and subscription (before expenses) and admission becoming effective.

The Company had received valid acceptances from 71.3 per cent of the Cominco Shareholders and accordingly, on Admission, the Company acquired 71.3 per cent of Cominco.

The offer for Cominco had its Final Closing on 30 November 2018 and the Company had received in aggregate valid acceptances in respect of 98.97 per cent. of the ordinary shares of Cominco Resources ("Cominco Shares").

On 3 December 2018, Kropz plc announced it had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer had been declared unconditional in all respects, Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco Shares held by the remaining Cominco Shareholders.

The total consideration shares issued by Kropz plc to previous Cominco shareholders was 77,321,651 ordinary shares at an issue price of 40 pence per ordinary share, giving a total consideration of £30,928,660 (equivalent to USD 39,629,266).

The following table summarises the consideration paid for Cominco Resources and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	US'000
Total consideration for shares	39,629
Total identifiable net assets acquired:	
Exploration assets	42,038
Property, plant and equipment	8
Cash	73
Trade and other receivables	16
Trade and other payables	(751)
Total identifiable net assets acquired	41,384
Amounts transferred to exploration and evaluation assets	(1,329)
Non-controlling interests	(426)
Total	39,629

The fair value of the Company's investment has been allocated to underlying assets and liabilities and the difference has been adjusted against the exploration asset.

Cominco Resources contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD nil profit before tax. If the acquisition of Cominco Resources had been completed on the first day of the financial period, Group losses attributable to equity holders of the parent would have been approximately USD 0.6m higher.

On 19 February 2019, Kropz plc announced it had acquired the remaining 482,927 Cominco shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share.

(4) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2018, are as follows:

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Company
Kropz SA (Pty) Limited	South Africa	Unit 213, The Hills Buchanan Square 160 Sir Lowry Road	Intermediate holding company	100 per cent
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Woodstock Cape Town 8001	Property owner	70 per cent *
Kropz Elandsfontein (Pty) Ltd	South Africa	South Africa	Phosphate exploration and mining	74 per cent **
West Coast Fertilisers (Pty)	South Africa		Phosphoric acid production	70 per cent
Xsando (Pty) Ltd	South Africa		Sand sales	70 per cent
First Gear Exploration Limited	Ghana	4 Momotse Avenue PO Box GP 1632 Accra, Ghana	Phosphate exploration	50 per cent + 1 share
Cominco Resources Limited	RoC	Woodbourne Hall, PO Box 3162, Road Town,	Phosphate exploration	98.97 per cent
Cominco S.A.	RoC		Development	98.97 per cent
Cominco Resources (UK) Ltd	England and Wales	Tortola, British Virgin Islands	Service company	98.97 per cent

*46.67 per cent held indirectly

**38.18 per cent held indirectly

*** held indirectly

The accounting reference date of each of the subsidiaries is coterminous with that of the Company.

(5) Tangible assets – Property, plant, equipment and mine development

		31 Dec	31 Dec
	31 Dec 2018	2018	2018
	Cost	Accumulated Depreciation	Carrying value
	US\$'000	US\$'000	US\$'000
Buildings and infrastructure			
Land	2,108		2,108
Buildings	11,217	(7)	11,210
Capitalised road costs	8,996	(1,499)	7,497
Capitalised electrical sub-station	3,903	(564)	3,339
Machinery, plant & equipment			
Critical spare parts	1,185	-	1,185
Plant and machinery	54,329	(67)	54,262
Furniture & fittings	44	(40)	4
Geological equipment	48	(47)	1
Office equipment	35	(8)	27
Other fixed assets	1	-	1
Motor vehicles	130	(106)	24
Computer equipment	38	(33)	5
Mine development			
Mine development	18,724	-	18,724
Stripping activity costs			
	3,188	-	3,188
Game animals			
	251	-	251
Total	104,197	(2,371)	101,826

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

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

All additions during the period, other than USD 531,000 in relation to plant and machinery, were made on the acquisition of subsidiaries.

Game animals

Game animal assets are carried at fair value. The different levels are defined as follows:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access as measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements – Level 3.

Impairment

The Elandsfontein mine is currently under care and maintenance. The Directors have therefore carried out an impairment assessment. No impairment has been identified.

(6) Intangible assets - Exploration and evaluation costs

	31 Dec 2018	31 Dec 2018	31 Dec 2018
	Cost	Amort- isation	Carrying value
	US\$'000	US\$'000	US\$'000
Capitalised costs	40,772	-	40,772

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.

All additions during the period were made on the acquisition of subsidiaries.

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.

Reconciliation of exploration assets

	Opening Balance	Additions	Amounts transferred on acquisition of subsidiaries (Note 3)	Foreign exchange gain	Closing balance
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Period ended 31 December 2018					
Capitalised exploration costs	-	42,083	(1,267)	44	40,772

(7) Amounts due from a director

	31 December 2018 US\$'000
Michael Nunn	33
Total	33

The amounts are unsecured, interest free and repayable on demand.

(8) Other financial assets

	31 December 2018 US\$'000
DMR guarantee	695
Eskom guarantee (1)	124
Eskom guarantee (2)	364
Eskom guarantee (3)	370
Heritage Western Cape Trust	70
Total	1,623

DMR guarantee

Guarantee in favour of the Department of Mineral Resources for ZAR10,000,000 in respect of a “financial guarantee for the rehabilitation of land disturbed by prospecting/mining”.

Eskom guarantee (1)

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR1,788,433 in respect of a “contract works security guarantee”.

Eskom guarantee (2)

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR5,235,712 in respect of ‘supply agreement (early termination) guarantee’.

Eskom guarantee (3)

Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR5,305,333 in respect of an “electricity accounts guarantee”.

Heritage Western Cape Trust

ZAR1,000,000 settlement agreement trust fund held in trust by attorneys on behalf of the Heritage Western Cape Trust until Elandsfontein Exploration & Mining (Pty) Ltd lodges a heritage impact assessment. The heritage impact assessment was lodged in 2018 and the Group is waiting for the return of the guarantee.

Fair value of other financial assets

The carrying value of other financial assets approximate their fair value.

(9) Inventories

	31 December
	2018
	US\$'000
Consumables	838
Spare parts	23
Total	861

(10) Trade and other receivables

	31 December
	2018
	US\$'000
Other receivables	86
Deposits	47
VAT	198
Total	331

Credit quality of trade and other receivables

The credit quality of trade and other receivables are considered recoverable due to management's assessment of debtors' ability to repay the outstanding amount.

Credit risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Trade and other receivables past due but not impaired

None of the trade and other receivables were past due at the end of the reporting dates.

Trade and other receivables impaired

None of the trade and other receivables were considered impaired. Trade and other receivables have not been discounted as the impact of discounting is considered to be insignificant.

Fair value of trade and other receivables

The carrying value of trade and other receivables approximate their fair value.

(11) Cash and cash equivalents

	31 December
	2018
	US\$'000
Bank balances	30,456
Cash on hand	1
Total	30,457

Credit quality of cash at bank and short term deposits, excluding cash on hand

The Group only deposits cash and cash equivalents with reputable banks with good credit ratings.

Fair value of cash at bank

Due to the short-term nature of cash and cash equivalents the carrying amount is deemed to approximate the fair value.

(12)Share capital

The Company was incorporated with an issued share capital of £1 made up of one ordinary share of £1. Each shareholder has the right to one vote per ordinary share in general meeting. Any distributable profit remaining after payment of distributions is available for distribution to the shareholders of the Company in equal amounts per share.

Shares were issued during the period as set out below:

	Number of shares	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Total US\$'000
On incorporation	1	-	-	-	-
Issued to Kropz International (a)	49,999	-	70	-	70
Subdivision of shares (b)	450,000	-	-	-	-
Issued to Kropz International (c)	163,221	-	117	-	117
Issued to Kropz International (e)	1	-	-	-	-
Issued to Kropz International (f)	93,260,034	120	69,320	3,809	73,249
Issued to ARC (h)	5,499,124	7	2,811	-	2,818
Capitalisation of debt (i)	9,875,698	13	5,049	-	5,062
Conversion of Loan Note (j)	6,902,148	9	2,520	-	2,529
Offer for Cominco Resources (k)	55,669,176	71	28,461	-	28,532
Placing and Subscription shares (l)	68,359,376	88	34,949	-	35,037
Further acceptances of Offer for Cominco Resources (m)	21,652,475	27	-	11,069	11,096
Cost of issuing shares	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	-	(35,401)	(35,401)
At 31 December 2018	261,881,253	335	142,026	(20,523)	121,838

The changes to the issued share capital of the Company which occurred between the date of incorporation and 31 December 2018 are as follows:

- a) On 20 March 2018, the Company issued and allotted 49,999 ordinary shares to Kropz International for cash at a nominal value of £1 per ordinary share;
- b) On 4 June 2018, each ordinary share of £1 each in the capital of the Company was divided into 10 ordinary shares of 10 pence each in the capital of the Company;
- c) On 21 August 2018, the Company issued 163,221 Ordinary Shares to Kropz International pursuant to a share for share exchange whereby Kropz International received 163,221 Ordinary Shares in consideration for the transfer of: (i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and (ii) the novation rights and obligations under the First Gear Loan Agreements to the Company;
- d) On 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 Ordinary Shares of 0.01 pence per share and 663,221 deferred shares of £0.099 each in the capital of the Company ("Deferred Shares");
- e) On 27 November 2018, the company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company (the "Buy-back Share") to Kropz International in cash for 1 pence, resulting in an issued share capital of 663,222 Ordinary Shares and 663,221 Deferred Shares;
- f) On 27 November 2018, the Company issued 93,260,034 Ordinary Shares (the "Reorganisation Shares") to Kropz International pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company (1) and Kropz International (2) whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of USD 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of USD 30,743,792; and (vi) the benefit of the outstanding ELH loan account of USD 1,692,072;
- g) On 27 November 2018, the Company bought back the Deferred Shares for an aggregate sum of 1 pence and these were then cancelled;
- h) On 27 November 2018, the Company issued 5,499,124 Ordinary Shares to ARC (the "ARC Consideration Shares") pursuant to a share purchase agreement whereby ARC received the ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein;
- i) A debt capitalisation letter dated 8 October 2018 pursuant to which the ARC agreed to capitalise the amount of USD 5.06 million (owing from the Company to the ARC following various restructuring and capitalisations implemented by the Kropz Group in the pre-Admission restructuring). The Capitalisation was conditional on Admission and resulted in the issue of 9,875,698 Ordinary Shares to ARC upon Admission;
- j) On 27 November 2018, the Company executed the Convertible Loan Note Instrument pursuant to which the Company issued Convertible Notes to Kropz International at a rate of one month LIBOR plus 3 per cent. per annum and a final maturity date of 31 December 2019. The principal amount of the Convertible Notes of USD 2,500,000 and accrued interest of USD 29,328 was automatically converted into Conversion Shares on Admission at 28.6 pence per share, a 28.5 per cent. discount to the Placing Price;
- k) The Company conditionally offered to acquire the entire issued and to be issued share capital of Cominco on the basis of 1.66 Ordinary Share for each Cominco Share. As at the First Closing Date (21 November 2018), valid acceptances to accept the Offer were received in respect of 33,465,747 Cominco Shares representing 71.3 per cent. of the Cominco Shares and, accordingly, the Offer became unconditional as to acceptances. On Admission on 30 November 2018, the Company acquired 71.3 per cent. of Cominco, which required the allotment and issue of 55,669,176 Ordinary Shares (the

“First Offer Shares”) to Cominco Shareholders on Admission at 40 pence a share (£22,267,670, approximately USD 28,532,000);

- l) On Admission, the Company raised £27,343,750 (approximately USD 35,036,000) by way of the Placing and Subscription of 68,359,376 Ordinary Shares at 40 pence per share; and
- m) Further acceptances of the Offer for Cominco Resources were received on 3 December 2018 in respect of 13,016,470 Cominco Shares representing 27.67 per cent. of the Cominco Shares for which a further 21,652,475 Ordinary Shares of Kropz were allotted and issued at 40 pence per share (£8,660,990, approximately USD 11,096,000).

Subsequent to 31 December 2018, the Company issued further shares as follows:

On 1 February 2019, the Company issued 1,357,080 new ordinary shares at a price of 40 pence per share and 1,116,544 warrants at an exercise price of 40 pence per warrant to certain advisers in lieu of cash fees arising from their involvement with the Company's admission to AIM on 30 November 2018 and the acquisition of Cominco.

As Kropz had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer was declared unconditional in all respects and Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco Shares held by the remaining Cominco Shareholders.

Pursuant to the Compulsory Redemption, Kropz acquired the remaining 482,927 Cominco Shares on 19 February 2019, for which a further 803,315 Ordinary Shares of Kropz were issued at 40 pence per share, resulting in an issued share capital of 264,041,648 Ordinary Shares.

Share based payment arrangements

Employee Share Option Plan and Long-Term Incentive Plan

As more fully described in the Directors' Report, 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 which will be used to grant awards on Admission of the Company to AIM and following Admission (the “ESOP”) – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- an executive long-term incentive plan (the “LTIP”) – 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”).

The Company issued a total of 8,190,355 share options during the period ended 31 December 2018. Options were valued at the full exercise price of 40p per share and are to be expensed over the 60 month vesting period. An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

o options have been exercised or forfeited. Accordingly, all options remained in place at 31 December 2018.

The charge to profit and loss was £nil due to the immateriality of the value of the options charge in the period from issue.

No LTIP awards were made during the period ended 31 December 2018.

Equity warrants

The Company also issued 1,116,544 equity warrants over ordinary shares in the Company held during the period, as more fully described in the Directors' Report.

The warrants were valued at year end using a Black-Scholes valuation model. The charge to profit and loss during the year was £nil due to the immateriality of the value of the warrants.

(13)Reserves

Nature and purpose of reserves

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these consolidated financial statements from their functional currencies to the presentational currency.

Share premium

The share premium account represents the amount received on the issue of ordinary shares by the Company, other than those recognised in the merger reserve described below, in excess of their nominal value and is non-distributable.

Merger reserve

The merger reserve represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value on acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies. The merger reserve consists of the merger relief on the issue of shares to acquire Kropz SA on 27 November 2018 and Cominco on 30 November 2018. The merger reserve also includes differences between the book value of assets and liabilities acquired and the consideration for the business acquired under common control.

(14)Shareholder loan payable

	31 December
	2018
	US\$'000
ARC	14,386

As part of the wider group reorganisation certain shareholder loans in Kropz SA, Kropz Elandsfontein and ELH were consolidated and set-off against various other loans receivable and payable.

The consolidation and set-off of various loans was completed in order to simplify the debt structure of the Group. In addition, loans payable to Kropz International and ARC were reduced through the issue of new share capital in Kropz SA, Kropz Elandsfontein and ELH.

The remaining loans payable to Kropz International were novated to Kropz plc on 27 November 2018 in exchange for new shares in Kropz plc. Following the debt restructuring, there are no loans payable to Kropz International by the Kropz Group. All shareholder loans outstanding at 31 December 2018 are in relation to amounts due to ARC which holds a 47.4 per cent interest in Kropz plc.

Such loans are: (i) USD denominated but any payments will be made in ZAR at the then current exchange rate; (ii) carry interest at monthly US LIBOR plus 3 per cent; and (iii) are repayable by no later than 1 January 2035 (or

such earlier date as agreed between the parties to the shareholder agreements). Details of the group reorganisation are provided in note 3.

Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

(15) Other financial liabilities

	31 December
	2018
	US\$'000
BNP Paribas	29,551
Greenheart Foundation	517
Other loans	1
Total	30,069
Non-current financial liabilities	29,551
Current financial liabilities	518
Total	30,069

BNP Paribas

A USD 30,000,000 facility has been made available by BNP Paribas. Interest is charged at three months LIBOR plus 4.5 per cent. and was repayable quarterly over 2 years. The first repayment was due on 31 March 2018.

The Group was unable to fund the instalment payments on the loan as they fell due and consequently, under the terms of the facility agreement, was in default from 1 April 2018. On 20 September 2018 the Group and BNP Paribas conditionally agreed a waiver of the breach and restructure of the facility under which the first capital repayment has been deferred to 30 September 2020. In addition, BNP Paribas provided the necessary consents required to facilitate all the contemplated transactions leading up to the admission of Kropz plc to AIM. The waiver and restructured facility were contingent on the admission of Kropz plc's shares to trading on AIM by 30 November 2018.

Greenheart Foundation

A loan has been made to the Group by Greenheart Foundation which is interest-free and repayable on demand. Mark Summers, 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.

(16)Provisions

Reconciliation of provisions – Period ended 31 December 2018

	Opening		Foreign	
	Balance	Additions	exchange	Closing
	US\$'000	US\$'000	gain/loss	balance
			US\$'000	US\$'000
Provision for dismantling costs	-	539	(21)	518
Provisions for rehabilitation	-	3,512	(99)	3,413
Total	-	4,051	(120)	3,931

Dismantling and rehabilitation provisions

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technologic and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances.

(17)Trade and other payables

	31 December
	2018
	US\$'000
Trade payables	10,138
Other payables	1,394
Accruals	424
Total	11,956

Fair value of trade and other payables

Trade and other payables are carried at amortised cost, with their carrying value approximating their fair value.

(18)Commitments

	31 December
	2018
	US\$'000
Authorised capital commitments	250

(19)Directors' remuneration, interests and transactions

The Directors and two executives of the Company are considered to be the Key Management personnel of the Group.

Details of the Directors remuneration, Key Management personnel remuneration (which totalled USD 480,131 including social security contributions) and Directors' interests in the share capital of the Company are disclosed in the Directors' Report.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of USD 341,589.

(20) Finance income

	Period ended
	31 December
	2018
	US\$'000
Interest income received	382
Total	382

(21) Operating loss

Operating loss is after accounting for the following:

	Period ended
	31 December
	2018
	US\$'000
Foreign exchange loss	1,555
Fair value loss on game animals	32
Depreciation on property, plant and machinery	457
Employee costs	613
Electricity and water – mine operations	26
Mining costs	197
Plant operating costs and recoveries	127
Auditor's remuneration in respect of audit of the group and parent	80
Auditor's remuneration in respect of audit of Cominco	25

(22) Staff costs

	Period ended 31 December 2018 No.
The average monthly number of employees was:	
Operations	7
Finance and administration	2
Management	5
	14

	Period ended 31 December 2018 US\$'000
Aggregate remuneration (including Directors):	
Wages and salaries (including bonuses)	577
Social security costs	48
Share-based payments	-
Pension costs	-
	625

(23) Finance expense

	Period ended 31 December 2018 US\$'000
Shareholder loans	409
Foreign exchange losses	1,555
Bank debt	357
Total	2,321

(24)Taxation

Major components of tax charge	Period ended
	31 December
	2018
	US\$'000
Deferred	
Originating and reversing temporary differences	-
Current tax	
Local income tax recognised in respect of prior periods	66
Total	66

Reconciliation of tax charge

	Period ended 31
	December
	2018
	US\$'000
Loss before tax	(7,611)
Applicable UK tax rate	19%
Tax income at applicable tax rate	(1,446)
Adjustments for different tax rates in the Group	(525)
Disallowable expenditure	373
Prior period tax charge	66
Losses carried forward not recognised	1,598
Tax charge	66

The Group had losses for tax purposes of approximately USD 27.8m as at 31 December 2018 which, subject to agreement with taxation authorities, are available to carry forward against future profits.

A net deferred tax asset of approximately USD 7.8m, after set off of accelerated depreciation allowances in respect of fixed assets of USD 26.0m, arises in respect of these losses. It has not been established as the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain. The deferred tax asset and deferred tax liability relate to income tax in the same jurisdiction and the law permits set off.

(25) Earnings per share

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

	Period ended
	31 December
	2018
	US\$'000
Loss attributable to ordinary shareholders	(6,255)
Weighted average number of ordinary shares in Kropz plc	24,575,156
Basic and diluted earnings per share (US\$)	(0.25)

Because the Group is in a net loss position, diluted loss per share excludes the effects of ordinary share equivalents consisting of stock options and warrants, which are anti-dilutive.

(26) Notes to the statement of cash flows

Net debt reconciliation – Period ended 31 December 2018

	Opening Balance US\$'000	Assumed on acquisition of subsidiaries US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Cash and cash equivalents	-	300	30,164	(7)	30,457
Other financial assets	-	1,680	-	(57)	1,623
Shareholder loan payable	-	(14,178)	(696)	488	(14,386)
Other financial liabilities – non-current	-	(30,238)	(867)	1,037	(30,068)
Total	-	(42,436)	28,601	1,461	(12,374)

	Shareholder loans (Note 14) US\$'000	Other financial liabilities Non-current (Note 15) US\$'000	Total US\$'000
At 10 January 2018	-	-	-
Assumed on purchase of subsidiaries	14,178	30,238	44,416
Amounts advanced	696	867	1,563
Effect of foreign exchange movements	(488)	(1,037)	(1,525)
At 31 December 2018	14,386	30,068	44,454

(27)Related parties

Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

Name	Relationship
Mark Summers	Director
Ian Harebottle	Director
Michael Nunn	Director
Linda Beal	Director
Mike Daigle	Director
Lord Robin William Renwick	Director
Machiel Johannes Reyneke	Director
Kropz SA	Subsidiary
ELH	Subsidiary
Kropz Elandsfontein	Subsidiary
West Coast Fertilisers (Pty)	Subsidiary
Xsando (Pty) Ltd	Subsidiary
First Gear Exploration Limited	Subsidiary
SA Lithium (Pty) Ltd	Subsidiary until 5 March 2018
Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
ARC	Shareholder

Details of the group reorganisation and associated transactions with shareholders are explained in Note 3, 12 and 14. In addition, following transactions were carried out with related parties:

Related party balances

Loan accounts – Owed (to) / by related parties

	31 December
	2018
	US\$'000
ARC	(14,386)
M Nunn	33
Others	(1)
Total	(14,354)

Related party balances**Interest paid to / (received from) related parties**

	Period ended 31 December
	2018
	US\$'000
Kropz International	345
ARC	64
Total	409

(28)Categories of financial instrument**Financial assets by category**

The accounting policies for financial instruments have been applied to the line items below:

	31 December
	2018
	US\$'000
Financial assets at amortised cost	
Trade and other receivables	331
Due from a director	33
Other financial assets	1,623
Cash and cash equivalents	30,457
Total	32,444

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	31 December 2018 US\$'000
Financial liabilities at amortised cost	
Shareholder loans payable	14,386
Trade and other payables	11,956
Other financial liabilities	30,069
Total	56,411

(29) Financial risk management objectives

Capital risk management:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of shareholder and external debt, which includes loans and borrowings (excluding derivative financial liabilities) disclosed in notes 14 and 15 and equity as disclosed in the Statement of Financial Position.

Shareholder and external third-party loans from foreign entities to South African companies are subject to the foreign exchange controls as imposed by the South African Reserve Bank ("SARB"). All inward loans into South Africa require approval by the SARB and all loans in the current capital structure have been approved by the SARB and all entities in the Group are compliant with the SARB approvals relevant to the entity concerned and the approvals granted by the SARB.

Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of obligations associated with financial liabilities of the Group and the availability of funds to meet those obligations. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year	Between one and two years	Between two and five years	Over five years
	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December 2018				
Shareholder loans payable	-	-	-	20,927
Trade and other payables	11,956	-	-	-
Other financial liabilities	2,251	13,718	20,850	-
Total	14,207	13,718	20,850	20,927

Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets include trade and other receivables, loans receivable, other financial assets and cash and cash equivalents.

Ongoing credit evaluation is performed on the financial conditions of the counterparties to the trade and other receivables, loans receivable and other financial assets. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Interest rate risk:

As the Group has significant interest-bearing assets, the Group's income and operating cash flows are substantially dependent on changes in market interest rates. At 31 December 2018, if interest rates on the shareholder and BNP loans (denominated in USD) had been 1 per cent higher/lower with all other variables held constant, post-tax losses and equity for the period would have been approximately USD 40,000 higher/lower respectively.

Foreign currency risk:

Most of the Group's transactions are carried out in Rand. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies. As at 31 December 2018 the Group's net exposure to foreign exchange risk was as follows:

Functional currency

	South African Rand	Total
Net foreign currency financial liabilities	US\$'000	US\$'000
Currency		
US\$	(43,936)	(43,936)
Net foreign currency exposure	(43,936)	(43,936)

Sensitivity analysis:

A 10% movement in the Rand and Pound against the US Dollar would increase/(decrease) profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase/ (Decrease) US\$'000
Effects on profit or loss	
Rand:	
- strengthened by 10%	(4,394)
- weakened by 10%	4,394

(30)Segment information

Operating segments

Up to the date of approval of the financial information for the period ended 31 December 2018, the Board of Directors considered that the Group had one operating segment, being that of phosphate mining. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

Geographical segments

Since the acquisition of First Gear in June 2018, and the acquisitions of Kropz SA, Kropz Elandsfontein, ELH and Cominco Resources in November 2018, the Group has operated in three principal geographical areas – Ghana, South Africa and the RoC.

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

	South Africa	Ghana	Congo	Group
	US\$'000	US\$'000	US\$'000	US\$'000
Total non-current assets	103,441	62	40,718	144,221

(31)Non-controlling interests

	31 December
	2018
	US\$'000
As at beginning of period	-
Share of losses for the period	(1,422)
Purchase of non-controlling interests in subsidiaries	2,560
As at end of the period	<u>1,138</u>
Non-controlling interests in cash flows	<u>(1,381)</u>

(32)Material subsequent events

On 19 February 2019, pursuant to a squeeze out of the Cominco minorities, Kropz plc announced it had acquired the remaining 482,927 Cominco shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share. Application was made for these additional 803,315 ordinary shares to be admitted to trading on AIM with admission completed on 22 February 2019.

Options are being investigated to support the Company's additional cash requirements for Elandsfontein (approximately USD 20 million), and to further advance its Hinda and Aflao projects (approximately USD 4 million).

(33)Ultimate controlling party

The Directors consider ARC to be the ultimate controlling party of the Company

Company Statement of Financial Position**(Registered number: 11143400)**

		31 December 2018
	Note	US\$'000
Fixed assets		
Investment in subsidiaries	3	111,606
Amounts due from subsidiaries		39,820
		151,426
Current assets		
Debtors	4	201
Cash and bank balances		5,144
		5,345
Creditors		
Amounts falling due within one year	7	2,449
		2,449
Net current assets		2,896
Total assets less current liabilities		154,322
Creditors		
Amounts falling due after more than one year		-
Net Assets		154,322

Capital and Reserves

Share capital	5	335
Share premium account		142,026
Merger reserve		14,878
Retained losses		(1,961)
Foreign currency translation reserve		(956)
		154,322

Capital and reserves include losses for the period of the parent company of USD 1,961,000.

Mark Summers, Chief Financial Officer

21 June 2019

Company Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 10 January 2018	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,961)	(1,961)
Other comprehensive income	-	-	-	(956)	-	(956)
Total comprehensive income for the period	-	-	-	(956)	(1,961)	(2,917)
Issue of shares	335	143,297	14,878	-	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	(1,271)
Transactions with owners	335	142,026	14,878	-	-	157,239
At 31 December 2018	335	142,026	14,878	(956)	(1,961)	154,322

1. General information

The Company was incorporated on 10 January 2018 and is a public limited company, with its ordinary shares admitted to the AIM Market of the London Stock Exchange on 30 November 2018 trading under the symbol, "KRPZ". The Company is domiciled in England and incorporated and registered in England and Wales. The address of its registered office is Suite 4F Easistore Building Longfield Road North Farm Estate Tunbridge Wells TN2 3EY. The registered number of the Company is 11143400.

2. Summary of significant accounting policies

(a) Basis of preparation

Notes to the Company Financial Statements for the period ended 31 December 2018

The Company's Financial Statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the Financial Statements on a going concern basis. Disclosures in relation to going concern are shown in Note 2 (a) to the Consolidated Financial Statements.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate Financial Statements. The loss attributable to members of the Company for the period ended 31 December 2018 is USD 1,961,000.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 11 Financial Instruments.

Going concern

During the period ended 31 December 2018, the Company incurred a loss of USD 2 million. Cash and cash equivalents totalled USD 5 million as at 31 December 2018. The Company 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.

The directors have prepared a cash flow forecast which indicates that the Company will not have sufficient liquidity to meet its forecast working capital requirements to the end of the going concern period, primarily being corporate costs, meeting its funding obligations for exploration expenditure, and costs related to the Aflao and Hinda projects with an additional USD 4 million required in order for the Company to meet its targeted objectives for these projects. Additional funding is also going to be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, with various options being considered by the Board on how and when best to source this additional funding.

The directors have therefore considered mitigating actions, which include:

- Completion of a capital raising; and
- Managing and deferring costs where applicable to coincide with a capital raising activity to ensure that all obligations can be met.

The directors are planning to raise approximately USD 4 million additional capital in the short term to enable the Company to continue to fund its exploration and development programme and fulfil its working capital requirements.

The directors have reviewed the Company's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that funding will be secured and therefore that the operational and financial plans in place are achievable and accordingly the Company will be able to continue as a going concern and meet its obligations as and when they fall due.

The ability of the Company to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to the Company'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 Company not continue as a going concern.

(b) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

(c) Fixed asset investments

Fixed asset investments in Group undertakings are carried at cost less any provision for impairment.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Exchange differences arising on the translation of the Company's results and net assets from its functional currency of GBP to the presentational currency of USD are taken to the foreign currency translation reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Share-based payment arrangements

The policy for the Company's share-based payment arrangements can be found in Note 2(p) of the Consolidated Financial Statements.

3. Investment in subsidiaries

	31 December 2018 US\$'000
Cost	
At 10 January 2018	-
Acquisition of subsidiaries	85,295
Purchase of preference shares in Kropz Elandsfontein	26,311
At 31 December 2018	<u>111,606</u>
Amortisation/impairment:	
At 10 January 2018	-
Provision for impairment	-
At 31 December 2018	<u>-</u>
Net Book Value	<u>111,606</u>

Details of the Company's acquisitions during the period ended 31 December 2018 are set out in Note 3 to the Consolidated Financial Statements.

Details of the Company's subsidiaries as at 31 December 2018 are set out in Note 4 to the Consolidated Financial Statements.

4. Debtors

	31 December
	2018
	US\$'000
VAT recoverable	138
Other debtors	63
	201

5. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in Note 12 to the Consolidated Financial Statements.

The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

6. Reserves

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these financial statements from their functional currencies to the presentational currency.

Share premium

The share premium account represents the amount received on the issue of ordinary shares by the Company, other than those recognised in the merger reserve described below, in excess of their nominal value and is non-distributable.

Merger reserve

The merger reserve represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value on acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies. The merger reserve consists of the merger relief on the issue of shares to acquire Kropz SA on 27 November 2018 and Cominco on 30 November 2018.

7. Creditors: amounts falling due within one year

	31 December
	2018
	US\$'000
Trade creditors	1,729
Taxes and social security	21
Other creditors and accruals	699
	2,449

Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 19 to the Consolidated Financial Statements.

The following transactions with subsidiaries occurred in the period:

	31 December
	2018
	US\$'000
Opening amount	-
Amounts advanced to subsidiaries	26,311
Closing amount	
	26,311

In addition intercompany balances of USD 35,384,762 were acquired when the South African subsidiaries were acquired. See note 3 for further details.

8. Subsequent events

Disclosures in relation to events after 31 December 2018 are shown in Note 32 to the Consolidated Financial Statements.

-ENDS-