The information contained within this announcement is deemed to constitute inside information as **stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this** announcement, this inside information is now considered to be in the public domain.

3 August 2020

Kropz Plc
("Kropz" or the "Company")

Final Results for the Period ended 31 December 2019,
Posting of Annual Report and Accounts
and
Notice of Annual General Meeting

Kropz plc (AIM: KRPZ), an emerging African producer of plant nutrient feed minerals, announces its results for the year ended 31 December 2019 and the publication of the Company's Annual Report.

The Company announces that it will hold its Annual General Meeting at the offices of Memery Crystal LLP at 165 Fleet Street, London, EC4A 2DY on 28 August 2020 at 11 am. The full Notice of Annual General Meeting, together with the Annual Report, will be posted to shareholders today.

The full financial report and Notice of Annual General Meeting will be available online shortly at: www.kropz.com.

Key developments during the financial year

Corporate

- US$ 4.34 million (GBP 3.41 million) raised via equity placing in June 2019 at an issue price of 17.6 pence per ordinary share;
- cash as at 31 December 2019 of US$ 16 million (US$ 30 million as at 31 December 2018); and
- property, plant, equipment and exploration assets of US$ 145 million (US$ 143 million at 31 December 2018).

Projects

- The primary focus of Kropz in 2019 was the Elandsfontein phosphate project ("Elandsfontein") in South Africa;
- work was aimed at defining the modifications required for the processing facility. Test work was conducted at Mintek in South Africa, and by Eriez and Worley in the United States ("Test Work");
- Test Work results supported a robust circuit, employing both direct and reverse flotation to ensure consistent concentrate grade production of 68 per cent. BPL (31% P_2O_5) could be achieved consistently;
- engineering and design of the plant indicate that additional equipment will be required, including:
    - new stacked screens to optimise the milling circuit;
    - additional flotation cells to float the coarse size fraction of +212 micron; and
    - ancillary infrastructure and modifications to the original plant;
- further time required for additional Test Work, design and delivery of long-lead capital items and associated works will impact on timing and capital cost to first production, with the target date for commissioning at Elandsfontein in Q4 2021; and
- Kropz commenced a competitive tender for updating the 2015 feasibility study for the Hinda phosphate project ("Hinda") in the Republic of the Congo ("RoC" or "the Congo").

Key developments post financial year-end

Corporate

- Completion of an equity placing with an existing investor and two directors for US$ 353,595, before expenses (approximately GBP 283,843) ("the Placing") on 1 June 2020;
- the proceeds of the Placing will be used to progress the updated feasibility study at Hinda;
- completion of an open offer to existing shareholders to raise up to a further US$ 4 million before expenses ("Open Offer"). The Open Offer closed on 26 June 2020 and raised US$ 2,163,639 before expenses (approximately GBP 1,744,870); and
- the proceeds of the Open Offer will be used for general working capital purposes.

Elandsfontein

- Kropz secured a convertible loan facility of up to US$ 40 million (not exceeding a maximum of ZAR 680 million) from the ARC Fund ("ARC"), Kropz's major shareholder ("Equity Facility"), in June 2020 for the development of Elandsfontein. The first drawdown on the Equity Facility occurred on 26 June 2020 for US$ 10 million;
- Kropz Elandsfontein (Pty) Ltd ("Kropz Elandsfontein") renegotiated and amended the BNP Paribas SA ("BNP") US$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to 30 September 2024. The amended agreement caters for an interest rate of 6.5% plus US LIBOR, up to project completion (expected to be December 2022) and 4.5% plus US LIBOR thereafter, payable quarterly. The BNP facility remains fully drawn;
- a design review resulted in improved confidence in the costs and schedule required to bring Elandsfontein into production;
- Eriez completed pilot scale 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% P_2O_5 (68% BPL);
- front-end engineering design was concluded based on the metallurgical results for the modified flotation circuit to arrive at an AACE Class 3 capital cost estimate;
- an engineering, procurement, and construction management ("EPCM") contract was awarded to DRA Projects SA (Pty) Ltd ("DRA"); and
- orders have been placed for several long lead items, including stacked screens, flotation cells and cyclones.

Hinda

- Kropz concluded a competitive tender for the updating of the Hinda feasibility study ("Updated FS");
- the RoC Government approved the new terms of reference for the updated Environmental and Social Impact Assessment ("ESIA"); and
- the port occupation agreement with the Port Authority of Pointe-Noire was advanced.

Aflao

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

Annual General Meeting

The Company will hold its Annual General Meeting at the offices of Memery Crystal LLP at 165 Fleet Street, London, EC4A 2DY on 28 August 2020 at 11 am. With the current issues surrounding the COVID-19 pandemic, the Annual General Meeting will be a closed meeting this year and shareholders will not therefore be able to attend in person.

Shareholders are strongly encouraged to vote by proxy in line with the instructions in the Notice of Meeting (included in the Annual Report) which includes the option for CREST members to use the CREST electronic proxy appointment service.

Shareholders wishing to raise questions relating to the business of the AGM, or any other questions relating to the company, can do so by submitting them by email to mark@kropz.com to 14:00 by Friday 26 August 2020. When asking questions in this manner, the email must include details of full shareholder name, number of shares held and contact details. The board will publish a summary of any questions received which are of common interest, together with a written response on the Company's website as soon as practicable after the conclusion of the Annual General Meeting.

Chairman's Statement

Dear Shareholder,

The financial year ended 31 December 2019 represented Kropz's first full year as a publicly listed company. Progress was made with the remedial plan for the Elandsfontein project in South Africa. Test work has shown that the proposed direct-reverse flotation plant configuration at Elandsfontein can produce a final saleable concentrate to the expected specification of 68 per cent. BPL (approximately 31 per cent. P_2O_5). Thanks to the ARC Fund, Kropz's major shareholder, funding has been secured to complete the Elandsfontein project, with commissioning expected in Q4 2021.

Kropz entered into an Equity Facility on 13 May 2020 for US$ 40 million (maximum of ZAR 680 million). The Equity Facility, together with the US$ 12 million (approximately ZAR 200 million) already held by Kropz Elandsfontein will be utilised to complete development at Elandsfontein. The Equity Facility was approved by shareholders at the Kropz general meeting on 29 May 2020.

In addition, Kropz Elandsfontein and BNP entered into an amended facility agreement which removes the technical default under the previous BNP facility agreement, extending the first capital repayment date to 31 December 2022. The BNP facility of US$ 30 million is fully drawn.

Kropz concluded a placing of US$ 353,595 before expenses (approximately GBP 283,843) in May 2020 and an open offer to existing shareholders on 26 June 2020, which raised US$ 2,163,639 before expenses (approximately GBP1,744,870). Funds raised in the placing will be used to update the feasibility study for the Hinda project, while funds from the open offer will be utilised for general corporate purposes by Kropz.

Management completed a competitive tender for an updated feasibility study for its 100 per cent-owned Hinda Project, aligned with the capacity of the existing road and port facilities. The tender award and associated work programme for Hinda are still subject to securing additional funding. The feasibility study is expected to be completed six months following the tender award, subject to relaxation of the current COVID-19 lockdown restrictions in the relevant countries.

As previously announced, Kropz decided to divest its interests in Aflao and is currently in consultation with Aflao's other shareholders regarding the implementation of this decision. Kropz will not be providing any further funding towards Aflao.

The Board is grateful to all the members of the executive team for their efforts over the past 19 months, to our major shareholder for the further commitment shown by them and to our auditors and advisors. The Board is looking forward to updating shareholders on the progress made at Elandsfontein and Hinda.

Lord Robin William Renwick of Clifton
Non-Executive Chairman
31 July 2020

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About Kropz Plc

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

Strategic Report for the year ended 31 December 2019

Market overview

The fundamentals of the fertilizer and phosphate markets remain robust, driven by the need to feed a growing global population from limited agricultural resources. However, phosphate rock prices remained under pressure throughout 2019 as a result of extreme weather conditions, delays in downstream production facilities and geopolitical events. The current rock prices are unsustainable, even for low-cost producers.

Market analysts expect that the non-integrated phosphate rock market will turn, with more than 6% nominal annual growth rate expected between 2019 and 2030.

Significant changes in state of affairs

Acquisition and share issues

On 1 November 2018, Kropz made an all-share offer to acquire Cominco Resources Limited (“Cominco Resources”) in an all share transaction valuing Cominco Resources at US$ 40 million (“the Offer”). Cominco Resources, through its wholly owned subsidiary, Cominco S.A., currently owns 100 per cent. of Hinda which is expected to be diluted to 90 per cent through the participation of the Government of the RoC. The Company received valid acceptances from 71.3 per cent. of the Cominco Resources shareholders and accordingly, on 30 November 2018, at AIM Admission, the Company acquired 71.3 per cent. of Cominco Resources. 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 Resources was completed on 7 December 2018, taking the total ownership of Cominco Resources to 98.97 per cent.

On 1 February 2019, the Company issued 1,357,080 new ordinary shares of GBP 0.001 each in the capital of the Company at a price of 40 pence per share for a total consideration of GBP 542,832 (equivalent to approximately US$ 710,000) 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 Resources. The new ordinary shares were admitted to trading on AIM on 6 February 2019.

On 19 February 2019, Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding ordinary shares of Cominco Resources held by the remaining Cominco Resources shareholders. Pursuant to the compulsory redemption, Kropz acquired the remaining 482,927 Cominco Resources shares for which a further 803,315 ordinary shares were issued at a price of 40 pence per share for a total consideration of GBP 321,326 (equivalent to approximately US$ 419,000). The new ordinary shares were admitted to trading on AIM on 22 February 2019. Following the compulsory redemption, the Company holds 100 per cent. of the issued share capital of Cominco Resources.

On 27 June 2019, Kropz announced that it had raised US$ 4.34 million (GBP 3.41 million), before expenses, by way of a placing of 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 pence per ordinary share. The net proceeds of the placing were used to provide additional working capital and, more specifically, to progress the programme of works being carried out at its Hinda and Aflao projects. The placing shares were issued and admitted to trading on AIM on 3 July 2019.

After the acquisition of the Cominco Resources minorities, the issue of shares for fees as part of the AIM Admission and the placing shares in June 2019, the issued share capital at 31 December 2019 is 283,406,307 ordinary shares (31 December 2018: 261,881,253).

Projects

Elandsfontein

Elandsfontein hosts the second largest phosphate deposit in South Africa, after 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 million tonnes per annum (“Mtpa”) of phosphate rock concentrate from a shallow mineral resource which is expected to be sold on both local and international markets. The Company owns 74 per cent. of the share capital of Kropz Elandsfontein, which company owns the Elandsfontein project.

In excess of US$ 120 million had previously been spent at Elandsfontein on project capital expenditure to construct the processing plant and infrastructure, initial mining and capitalised working capital. Following a suspended commissioning process in 2017, Kropz Elandsfontein has conducted significant volumes of test work to define a robust circuit to cater for all ore types present within the Elandsfontein resource. The Test Work has been used to define the process configuration required for the recommencement of production.

Elandsfontein's logistics are advantageous and allow for easy access to both local and international markets.

Activity for the year to 31 December 2019

The focus for the year was the advancement of the definition of the required plant modifications required to achieve the production of a consistent and saleable concentrate grade. Test work was conducted at a number of global test facilities throughout the year, including Mintek in South Africa, and Eriez and Worley in the United States.

Mining and geology

The Elandsfontein resource is defined below, on a total and net attributable basis. No further geological drilling was conducted in 2019.

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

Class	Quantity (Mt)	Grade (%P_2O_5)	Grade (%Al_2O_3)	Grade (%MgO)	Grade (%Fe_2O_3)	Grade (%CaO)	Grade (%SiO_2)	Contained P_2O_5 (Mt)
				Gross				
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% 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

Results from Mintek, conducted on bulk samples composited from within the established mining area, supported the development of the reverse flotation circuit, as initially constructed, and then further advocated during 2018. In August 2019, test work on low-grade variability samples failed to consistently meet the targeted rock concentrate specification.

Further test work at Eriez, corroborated by results obtained at Mintek and Worley, demonstrated increased robustness offered by the alternative flotation configuration, of direct, followed by reverse ("DR") flotation. Eriez commenced with pilot-scale work on two bulk samples.

In parallel with the ongoing test work, DRA adapted the plant design to cater for the new DR circuit and progressed the process design to deliver a revised mechanical equipment list and capital cost estimate, to AACE level 3, with an accuracy range of -20 per cent. to +30 per cent.

Care and maintenance of the existing Elandsfontein infrastructure was routinely conducted in accordance with the approved care and maintenance plan.

Safety, health and environment

As at 31 December 2019, the lost time injury frequency rate, per 200,000 man-hours, was 0.179 (31 December 2018 - 0.182). No environmental or safety incidents were reported during the year.

Dewatering of the aquifer also continued, together with the updated ground-water monitoring programme.

CSR and sustainability

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

Through collaboration with the local community forum, six community development projects were launched in 2019.

Small, medium, micro-enterprise ("SMME") development

Following the appointment of a specialist service-provider and extensive community engagement 18 start-ups were identified for the SMME development programme, which involved group and individual coaching sessions to develop and boost small businesses. Additional funding was obtained from the provincial government SMME booster fund which enabled five additional participants to be added to the programme.

Drivers licence training

Eighty five members of the community were selected for training and driving lessons, in order to improve individual skills and potential for employment. The focus group was previous mine employees, women and youth from within the community. All candidates successfully passed their learner's licences and progressed to obtain their driver's licences. As a result of delays introduced by the COVID-19 restrictions, the programme will be completed in Q3 2020.

Recognition of prior learning ("RPL") project

A large number of people within the local community were identified to have work experience in the civil and construction industry, despite not having formal qualifications in the field. The RPL project was launched to provide those who demonstrate their competence to do the work to be formally assessed by a service-provider, earn formal accreditation, and ultimately receive certification as artisans, again to improve their potential for future employment.

Disabled support

Some 25 disabled people were identified to be recipients of basic equipment and infrastructure modifications for their homes. As at 31 December 2019, mobile equipment had already been handed over to eight candidates. Completion of the infrastructure modifications have been hampered by restricted access to homes under lockdown and will be completed during the second half of 2020.

Adult matric certification

A need was identified for individuals, previously unable to complete their school careers, to earn their matric certificates. A local service-provider was appointed and 50- candidates were selected and started a two-year programme to complete their secondary school qualification. Retired teachers from within the community were contracted to provide the evening classes and the local school and community centre were used as venues for the classes.

Thusong community centre upgrade

The construction to increase the classroom and meeting venues at the local community centre were completed in 2019, with final finishes outstanding. The new facilities were opened and made available to the community in Q1 2020.

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

Post reporting period events

Test work at Eriez has been concluded, confirming the efficiency of the DR circuit at semi-continuous pilot-scale level. A bulk sample has also been generated for marketing purposes.

The EPCM contract was awarded to DRA in early 2020. The process flow diagrams and control budget estimate have been frozen, and the procurement process has advanced well with orders being placed for several of the long lead mechanical equipment items required for the new circuit, including the stacked screens, flotation cells and cyclones.

The Department of Mineral Resources ("DMR") issued a directive to Kropz Elandsfontein to upgrade its environmental permits in line with latest legislation. The upgrade process has commenced.

Care and maintenance of the existing Elandsfontein infrastructure is ongoing.

Cominco SA – Hinda

The Hinda project, 100% owned by Cominco S.A., 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 km^2 of the coastal basin.

Prior to acquisition by Kropz, more than US$ 40 million had been spent on project development, including drilling, metallurgical test work and feasibility studies.

The 2015 definitive feasibility study ("2015 DFS") showed positive economic results for a 4.1 Mtpa project. While the 2015 DFS reported a positive economic outcome, the Company is looking to advance an initially reduced capacity project targeting the production of approximately 1.5 Mtpa, to be developed for a significantly lower level of upfront capital investment.

Activity in the year to 31 December 2019

In March 2019, DRA was commissioned to undertake an Option Study, assessing a number of throughput options for Hinda, based on mining either the higher-grade weathered ore or the full ore sequence (as per the 2015 DFS). The objectives of the Option Study included:

- assessment of available port storage options at the Pointe-Noire Port to determine export capacities using existing infrastructure;

- development of a dynamic model to consider different mine output rates (0.9 to 1.8 Mtpa) of phosphate rock concentrate, trucked from site to port; and

- dynamic techno-economic models, using historic study information to derive capital expenditure and operating cost estimates as a function of throughput and the development of a dynamic techno-economic model 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.

The Option Study indicated an existing port export capacity (and therefore initial project capacity) of 1.5 to 1.8 Mtpa.

With the revised mine and plant capacity, and the need to dry concentrate on-site, the ESIA requires update and amendment. The terms of reference for the updated ESIA were compiled and lodged with the Ministry of Tourism and Environment. Initial public consultation processes were conducted in November 2019.

A tender process for the completion of the Updated FS for the reduced export capacity was issued to four global engineering houses.

At the end of 2018, Cominco Resources received the supervisory authority to initiate the process of ratification of the Hinda exploitation convention or mining investment agreement ("MIA") which sets out the legal and fiscal framework under which Cominco S.A. would invest and operate within the RoC. The MIA was signed by all parties on 10 July 2018. The process of ratification is currently under-way, with the expectation that it will be completed in 2020.

In-country, the focus was on progressing the port occupancy agreement and sustaining solid relations with the local communities. Kropz maintains communications with a number of key stakeholders, including government, and local service providers.

Mineral resources

The Hinda resource is defined below, on a total and net attributable basis. No additional drilling was conducted in 2019.

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

Class	Quantity (Mt)	Grade (% P_2O_5)	Grade (% Al_2O_3)	Grade (%MgO)	Grade (% Fe_2O_3)	Grade (%CaO)	Grade (% SiO_2)	Contained P_2O_5 (Mt)
Gross								
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% 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**	**3.5**	**1.7**	**18.6**	**47.3**	**60.9**

Safety, health and environment

No environmental or safety incidents were reported during the year.

Sustainability

Cominco S.A. 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. The CVs would be required by Hinda when recruiting community staff for future operations, but have also assisted in enabling the local workforce to find employment in other economic sectors within the region. The Company has thus far assisted 532 people with their CV development;

- the planting and installation of an orchard with 110 fruit trees were completed for Siala school (the largest village situated on the site access road). A second project, consisting of the planting of 120 fruit trees was initiated in Tchivouba; and

- ongoing support of education-based projects, including support of temporary teachers, financial support for local children, support of libraries at the Hinda college.

Post reporting period events

The tender adjudication for the Updated FS was completed. The Updated FS is expected to be completed within six months of contract award, subject to the re-opening of borders as a result of COVID-19 restrictions.

The Department of Tourism and Environment validated the terms of reference of the updated ESIA.

The RoC Supreme Court has given its approval for the ratification of the MIA, and the file is pending presentation to a Council of Ministers for approval. This process has been delayed by the pandemic, but completion is still expected in 2020.

Strategy

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

Business model

The Company'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 Company's strategic competitiveness and profitability.

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

Objectives and outlook for the year ahead

Objectives

Kropz plc

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

Elandsfontein

Following the award of the EPCM contract to DRA, detailed design and procurement of long-lead items are advancing well. The primary focus of the year ahead will be to advance the project execution in line with the project budget and schedule, which will support the commissioning of the mine in Q4 2021.

Hinda

Cominco S.A. will look to commence the Updated FS 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 S.A. is expecting the completion of the ratification and formal implementation of the MIA before the end of 2020. It will also look to sign a formal port occupancy agreement to secure the space required for targeted future export operations out of Pointe-Noire.

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 Company with a solid foundation for its future development.

Financial review for the year ended 31 December 2019

Summary financial highlights for the year:

- cash at bank of US$ 16 million (US$ 30 million at 30 December 2018);
- trade and other payables of US$ 2 million (US$ 12 million at 31 December 2018); and
- property, plant, equipment and exploration assets of US$ 145 million (US$ 143 million at 31 December 2018).

Key performance indicators

The Company is a mining and exploration entity whose assets comprise exploration assets and an advanced stage phosphate mining project that is not yet at the production stage. Currently, no revenue is generated from operations. The key performance indicators for the Company are therefore linked to the achievement of project milestones and the increase in overall enterprise value.

Principal risks and uncertainties

The Company and its subsidiaries (“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 development of the projects and operation of the mines will depend on the maintenance of good relationships with and the solvency of its key contractors. The Company is undertaking due diligence and review of the financial position of main contractors and suppliers and is engaged in regular communication with key stakeholders to mitigate risk.

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 on 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.

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 COVID-19 pandemic announced by the World Health Organization post-year-end is having a markedly negative impact on commodity prices.

The Company monitors movements in expected supply, demand and prices and analysts forecast an increase in phosphate rock demand.

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.

COVID-19 Outbreak

On 23 March 2020, the South African government implemented a nation-wide lockdown ("the Directive") to manage the spread of COVID-19, effective from 26 March 2020. The Directive announced that all non-essential business and activities would be suspended, and people were to stay at home. Although some of the criteria of the Directive have been relaxed, there is no current indication when economic activity will return to normal.

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

At the time of this Annual Report, the borders for both countries remain closed.

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

Completion of commissioning of Elandsfontein

Elandsfontein requires a number of modifications to the existing processing facility and successful commissioning in order to recommence operations in Q4 2021. Any delays in the engineering design, procurement or delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the Company. There can be no guarantee that implementation of the modifications identified by Kropz Elandsfontein and its technical consultants will result in successful commissioning of the mine. Failure to complete the commissioning of Elandsfontein, or a significant delay in the completion of the commissioning, could result in a material adverse impact on the business, and the financial performance and position of the Group.

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.

Requirements for permits and licences

The operations of the Group require licences, permits and in some cases upgrades of existing licences and permits from various governmental authorities. The Group's ability to obtain, sustain or upgrade licences and permits is subject to changes in regulations and policies and is at the discretion of the applicable governmental authorities.

Elandsfontein holds the necessary environmental, water and mining permits and licences to operate. An upgrade to the existing environmental permit has been requested by the DMR, to bring the environmental permit in line with current legislation.

The water use licence ("WUL") is the subject of an administrative appeal which is described in more detail under the heading below. The appeal does not suspend the WUL while it is pending, and operations may continue in accordance with those licences.

WUL and associated litigation

There is currently an administrative appeal which is pending before the Tribunal. The appellant is a small group of local residents who formed a local action group which has opposed the Elandsfontein Project from the outset.

The appeal currently pending before the Water Tribunal seeks the setting aside of Elandsfontein's integrated WUL. The appeal hearing was expected to reconvene on 16 March 2020 but was postponed due to the Directive. The Company does not expect the Water Tribunal to be rescheduled until after the

Directive has been lifted. Pending the Water Tribunal's decision, there is no legal impediment to the continuation with the water use activities authorised in the integrated WUL.

There can be no guarantee that the administrative appeal will be rejected, or that there will not be future successful actions or appeals against Elandsfontein's WUL. If the ongoing appeal or any future actions were to be successful, this would have a material adverse effect on the business, operations and financial performance of the Group.

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.

Hinda MIA

The Hinda MIA provides a set of protection rights, including the RoC's government guarantees in relation to Hinda's operations, and sets out Cominco S.A.'s and its shareholder's commitments in terms of working programmes and corresponding financing.

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

The adoption, by the RoC parliament, of the law of approbation of the Hinda MIA and the subsequent publication of the approbation law in the Official Gazette will protect Cominco S.A. against any third party claim aimed at challenging the benefit, by Cominco S.A., of the legal regimes and tax and customs incentives granted to it under the Hinda MIA which go beyond the existing laws. This procedure elevates the Hinda MIA to the rank of a special law and prevents any third party action aimed 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 MIA would remain binding on the Congo. However, the incentives and regimes granted by the MIA that go beyond existing laws could be disputed in court by third parties. Any failure or delay of the RoC government to approve the Hinda MIA (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 Company. The Company makes use of skilled consultants and lawyers to engage with government and mitigate risk.

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 in the Annual Report.

Directors' section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in section 172 and forms the Directors' statement required under section 414CZA of the Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationships with suppliers, customers and others;

d. the impact of the Company's operations on the community and the environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between members of the Company.

The analysis is divided into two sections, the first to address Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

Section 1: Stakeholder mapping and engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, joint venture partners, debt providers, employees, government bodies, local community, vendor partners and offtake partners. The Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining the confidentiality of market and/or commercially sensitive information.

Who are the key stakeholder groups	**Why** is it important to engage this group of stakeholders	**How** did Kropz engage with the stakeholder group	**What** resulted from the engagement
Equity investors and equity partners All substantial shareholders that own more than 3 per cent. of the Company's shares are listed on page 30 of the Directors' Report. The Company owns 74 per cent. of Kropz Elandsfontein, the	Access to capital is of vital importance to the long-term success of the business to enable construction of Elandsfontein and Hinda. Equity partner involvement is vital to the success of the development of these projects, without which the Company cannot create value for its	The key mechanisms of engagement included: **Substantial shareholders** • Both ARC and Kropz International have appointed directors to the board of Kropz;	The Company engaged with investors on topics of strategy, governance, project updates and performance. Please see "Dialogue with shareholders" section of the Directors' report on page 30.

owner of the Elandsfontein project in South Africa. 26 per cent. is owned by ARC. The Company owns 70 per cent. of Elandsfontein Land Holdings (Pty) Ltd ("ELH"), the owner of the Elandsfontein mining property in South Africa. 30 per cent. is owned by ARC. Kropz Elandsfontein requires further funding to complete Elandsfontein and Cominco Resources requires further funding to develop Hinda. As such, existing equity investors and potential investment partners are important stakeholders.	shareholders by producing phosphate rock concentrate and therefore a return on the investment. Through selected engagement activities, the Company strives to obtain investor buy-in into its strategic objectives detailed on page 9 and the execution thereof. The Company seeks to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives. Over the course of 2019, the number of shares held in public hands and the overall daily volume of shares traded has decreased.	• The other existing substantial shareholders have regular meetings with the Chairman, CEO and/or CFO. **Investment and equity partners** • ARC has representatives on the Kropz Elandsfontein and ELH boards of directors in terms of the respective shareholder's agreements; • Regular board meetings are held with the ARC representatives. **Prospective and existing investors** • The AGM and Annual and Interim Reports; • Investor roadshows and presentations; • One on one investor meetings with the Chairman, CEO and/or CFO; • Access to the Company's brokers and advisers; • Regular news and project updates;	The CEO and/or CFO presented at a number of investor roadshows and one on one meetings. Post 31 December 2019, the Company completed the Equity Facility for US$ 40 million with ARC, and a US$ 2m further direct investment in the Company, in terms of which ARC will acquire a total further 31per cent. interest in the Company, eventually taking its 49 per cent. interest to over 80 per cent. At the Company's AGM, all resolutions were duly passed with at least 90 per cent. votes in favour demonstrating broad shareholder support. At the Company's general meeting held on 29 May 2020, all resolutions were duly passed with at least 85 per cent votes in favour of resolutions proposed.

		• Social media accounts e.g. Twitter @Kropzplc; • Site visits for potential cornerstone investors.	
Debt providers Kropz Elandsfontein has a US$30 million, fully utilised, debt facility with BNP that commenced in September 2016.	Access to capital is of vital importance to the long-term success of the business to be able to complete the Elandsfontein project. The debt facility was utilised in the construction of Elandsfontein. Various contractual conditions of the debt finance require regular updates on ongoing progress. Ongoing support from potential new debt providers is required to achieve the construction of Hinda.	• One on one meetings with the CEO and/or CFO; • Regular reporting on project progress; • Ad hoc discussions with management, as required; • Tripartite discussions between Kropz Elandsfontein, ARC and management to ensure there are no compliance matters outstanding in relation to the facility.	In the period, the Company, Kropz Elandsfontein management, ARC and BNP met on various occasions to discuss and agree an amendment to the facility agreement to cater for the delay in the completion and commissioning of the Elandsfontein project. Subsequent to year-end, in May 2020, the amended facility agreement was signed, thereby restructuring the first principal debt repayment to 31 December 2022.
Employees The Company has 12 South African, 6 UK and 5 RoC employees, including its Directors. Two of the Directors are UK residents, 1 Monegasque, 1	The majority of its employees going forward will be based in South Africa and the Directors consider workforce issues holistically for the Group as a whole.	**General employees** • The Company maintains an open line of communication between its employees, senior	**UK Employees** The Board met with management to discuss the long-term remuneration strategy. Advisors were appointed to do the independent party

American and 2 are South African resident Directors. The CEO during the year under review was a UK resident and the CFO is South Africa-based. The CFO allocates 15 per cent. of his time to matters relating to the Company in the UK.	The Company's long-term success is predicated on the commitment of its workforce to its vision and the demonstration of its values on a daily basis. The Board have identified that reliance on key personnel is a known risk (see the principal risk section).	management and the Board **UK employees** • The CEO and CFO report regularly to the Board; • Key members of the executive team are invited to some of the audit and risk committee meetings; • There is a formalised employee induction into the Company's corporate governance policies and procedures; • There is an HR function in the UK. **South African employees** • There is an HR function in South Africa; • Senior management regularly visit the operations in South Africa and engage with its employees through one on one and staff meetings, employee events,	review to examine non-executive director and executive team remuneration in 2018 at the time of the AIM IPO. Board reporting has been optimised to include sections on engagement with employees. **South Africa and Congo employees** The team were trained in aspects of corporate policies and procedures to engender positive corporate culture aligned with the Company code of conduct. Meetings were held with staff to provide project updates and ongoing business objectives. Efforts to focus on plant safety have yielded improvements in safety performance, resulting in no lost-time injuries in financial year 2019.

		project updates, etc; • Staff safety committees continue to operate. **Congo employees** • Senior management regularly visits the operations in RoC and engage with its employees through one on one and staff meetings, employee events, project updates, etc.	
Governmental bodies The Company is impacted by national, regional and local governmental organisations in South Africa and the RoC.	The Group will only commence production when the development of Elandsfontein is completed in 2022. Thereafter development of Hinda will be progressed.	The Company provides general corporate presentations regarding the Elandsfontein project development as part of ongoing stakeholder engagement with the South African government, Western Cape provincial government and local municipal government. The Company maintained its good relations with the respective government bodies and frequently communicated progress. The Company engages with the relevant departments	Meetings have been held with various representatives of the national, regional and local government bodies, to discuss ongoing compliance and other regulatory matters relating to mining. To date, the Company has received its South African requisite environmental and land use permits. An upgrade to the existing environmental permit is required at Elandsfontein. In addition, the Company has received the required permits to explore and

		of the RoC government in order to progress the development of Hinda.	develop Hinda, subject to securing of funding for these activities. An amendment is required to the ESIA.
Community The local communities adjacent to Elandsfontein in South Africa and Hinda in the RoC.	The community provides a social licence to operate. The Company needs to engage with the local community to build to obtain acceptance for future development plans. Community engagement will inform better understanding and decision making. The local community in Hopefield and the greater Saldanha Bay municipal area will provide employees for Elandsfontein and its contractors during construction and operations. Similarly, the communities surrounding Hinda will provide employees to the project and contractors during construction and operation. The Company will have a social and economic impact on the local communities. The Company is committed to ensuring	• The Company has community liaison officers in South Africa and RoC; • The Company has identified all key stakeholders within the local community in the reporting period; • Elandsfontein management has open dialogue with the local government and community leaders regarding the project development; • Similarly, Hinda management are actively engaging with local government and communities directly impacted by the Hinda project; • The Company has existing CSR policies and management structure at corporate level. The Company will expand on these policies and structures at a	The Company has ongoing engagements with the local community as part of its sustainability initiatives. Stakeholder identification has enabled the Company to ensure that representatives of all stakeholder groups may participate in the community engagement programme. A more formalised community engagement programme will commence in 2020. In addition to the community project described previously, Elandsfontein recently provided food relief to the Hopefield community during the COVID-19 pandemic.

	sustainable growth and minimising adverse impacts. The Company will engage these stakeholders as is appropriate.	local project level as the Company moves into construction and then production.	
Suppliers During the construction phase, the Company will be using key suppliers under commercial engineering contracts to design, construct and equip the project, all of whom are reputable and established vendors. At a local level, the Company has also partnered with a number of smaller companies, some of whom are independent or family run businesses.	Kropz's contractors and suppliers are fundamental to ensuring that the Company can construct the project on time and within budget. Using quality suppliers ensures that as a business, high performance targets can be met.	• Management continues to work closely with appointed contractors, consultants and suppliers to finalise their contracts and end deliverables; • One on one meetings between management and suppliers; • Vendor site visits and facility audits to ensure the supplier can meet requirements; • Contact with the procurement department and accounts payable; • Assist local suppliers to address liquidity challenges.	See page 5 of the strategic report for the latest progress on test work and construction. Smaller local vendors were engaged at a broader level to better align with company objectives.
Offtake partners The Company has two commercially priced phosphate rock offtake agreements for Elandsfontein.	The Company is moving toward the construction of its Elandsfontein project and a key metric to sourcing the funding required was securing	Once production commences, management will prepare monthly offtake and project reports for the Board.	The Company completed two commercial offtake agreements in 2016.

These offtake agreements are with reputable traders.	offtake agreements for its phosphate rock production. The Company will sell its product under long-term offtake agreements.		

Section 2: Principal decisions by the board post year-end

Principal decisions are defined as both those that have long-term strategic impact and are material to the Group, but also those that are significant to key stakeholder groups. In making the following principal decisions, the Board considered the outcomes from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Convertible loan facility for $40 million from ARC, entered into on 13 May 2020

ARC and the Company agreed on a US$ 40 million convertible loan facility (not exceeding a maximum of ZAR 680 million) in May 2020, in order to secure the required funding for the completion of Elandsfontein. The Equity Facility was approved by Kropz's shareholders at a general meeting on 29 May 2020. Draw downs under the Equity Facility are at the sole discretion of Kropz, with the first draw-down of US$ 10 million occurring on 26 June 2020. The next drawdown is anticipated on 10 September 2020, and quarterly thereafter until the facility is fully drawn down in late 2021. Repayment of the convertible loan facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 6.75 pence per ordinary share each quarter, and any US$ amount will be converted to GBP at an agreed rate of US$ 1 = 0.86 GBP.

The US$ 40 million Equity Facility is to be used exclusively for the completion of Elandsfontein. To secure the US$ 40 million funding from ARC, ARC entered into a funding undertaking with Kropz Elandsfontein and secured this funding undertaking with a bank guarantee for US$ 40 million (not exceeding a maximum of ZAR 680 million) from Rand Merchant Bank in South Africa.

The key stakeholder groups that could be materially impacted are existing shareholders and potential investors.

Existing shareholders may have conflicting interests with the ARC Equity Facility due to potential dilution of their shareholding. The Directors considered the impact of this and concluded that obtaining the convertible facility from ARC was the only funding opportunity available to the Company in order to get Elandsfontein into commercial production. Various funding alternatives had been investigated by the Directors over the last two years, both from an equity raise perspective and through possible project finance facilities. Equity markets were subdued and no new or existing equity investors were prepared to provide the funding required for Elandsfontein. Given the extensive security package that BNP has in accordance with their fully drawn US$ 30 million project finance facility agreement, no security alternative was available for potential new project finance funders.

Due to the fact that Machiel Reyneke, the ARC representative on the Board, and Mike Nunn, representing Kropz International are considered to be concert parties, they were not permitted to consider or vote on the approval of the proposed US$ 40 million convertible loan facility by the Board. The independent, non-executive directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the interim CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Equity Facility and further funding to the Company in terms of an open offer in June 2020, ARC would increase its interest in the Company by a further approximate 30 per cent., taking its eventual interest in the Company to more than 80 per cent.

The conclusion was that the proposed Equity Facility was fair and reasonable and the transaction was approved by the independent directors and announced on RNS on 13 May 2020.

Proposed divestment by the Company of its equity interest in Aflao, Ghana

The Board agreed to divest from its 50 per cent. plus 1 share interest in First Gear Exploration Limited ("FGE"), the owner of the Aflao prospecting right. Recent MMI sampling results had not been conclusive and management were of the view that funding would be better channelled to Hinda instead.

The Board agreed to sell the interest to Kropz International, but the minority shareholders in FGE did not provide the necessary consent for the sale of the Company's interest to Kropz International.

Accordingly, the Board decided to retain the interest for the time being, with the view to disposing of the interest in due course, but not provide any further funding to the Aflao project.

The decision is aligned with the business model set out in the Company strategy, which is to invest in high-quality assets in the phosphate rock market.

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole.

This Strategic Report was approved by the Board of Directors.

Mark Summers

Interim Chief Executive Officer

31 July 2020

Consolidated Statement of Financial Position As at 31 December 2019

	Notes	31 December 2019 US$'000	31 December 2018 US$'000
Non-current assets			
Property, plant, equipment and mine development	5	105,224	101,826
Exploration assets	6	40,192	40,772
Right-of-use asset	7	37	-
Other financial assets	9	1,534	1,623

		146,987	144,221
Current assets			
Inventories	10	875	861
Amounts due from a director	8	-	33
Trade and other receivables	11	329	331
Cash and cash equivalents	12	15,530	30,457
		16,734	31,682
TOTAL ASSETS		**163,721**	**175,903**
Current liabilities			
Trade and other payables	19	1,536	11,956
Lease liabilities	16	19	-
Other financial liabilities	17	29,982	518
Current taxation	27	174	-
Other tax liabilities	20	451	-
		32,162	12,474
Non-current liabilities			
Shareholder loans	15	14,701	14,386
Lease liabilities	16	21	-
Other financial liabilities	17	-	29,551
Tax payable	27	-	66
Provisions	18	3,702	3,931
		18,424	47,934
TOTAL LIABILITIES		**50,586**	**60,408**
NET ASSETS		**113,135**	**115,495**
Shareholders' equity			
Share capital	13	363	335
Share premium	13	147,339	142,026
Merger reserve	14	(20,523)	(20,523)
Foreign exchange translation reserve	14	53	(1,226)
Share-based payment reserve	14	167	-
Accumulated losses		(12,536)	(6,255)
Total equity attributable to the owners of the Company		114,863	114,357
Non-controlling interests	34	(1,728)	1,138
		113,135	115,495

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Year ended 31 December 2019	Period from 10 January to 31 December 2018

	Notes	US$'000	US$'000
Revenue		-	-
Other income		9	2
Operating expenses	24	(6,631)	(5,674)
Operating loss		**(6,622)**	**(5,672)**
Finance income	23	1,638	382
Finance expense	26	(3,662)	(2,321)
Loss before taxation		**(8,646)**	**(7,611)**
Taxation	27	(118)	(66)
Loss after taxation		**(8,764)**	**(7,677)**
Loss attributable to:			
Owners of the Company		(6,290)	(6,255)
Non-controlling interests		(2,474)	(1,422)
		(8,764)	**(7,677)**
Loss for the year/period		(8,764)	(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		3,226	(956)
• Exchange differences on translating foreign operations		(1,914)	(270)
Total comprehensive loss		**(7,452)**	**(8,903)**
Attributable to:			
Owners of the Company		(5,011)	(7,481)
Non-controlling interests		(2,441)	(1,422)
		(7,452)	**(8,903)**
Loss per share attributable to owners of the Company:			
Basic and diluted (US cents)	28	(2.30)	(25.45)

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity 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**
Total comprehensive profit / (loss) for the year	-	-	-	1,279	-	(6,290)	(5,011)	(2,441)	(7,452)
Issue of shares	28	5,344	-	-	30	-	5,402	-	5,402
Cost of issuing shares	-	(31)	-	-	-	-	(31)	-	(31)
Acquisition of non-controlling Interests	-	-	-	-	-	9	9	(425)	(416)
Share based payment charges	-	-	-	-	137	-	137	-	137
Transactions with owners	**272**	**5,313**	**-**	**-**	**167**	**9**	**5,517**	**(425)**	**5,092**
Balance at 31 December 2019	**363**	**147,339**	**(20,523)**	**53**	**167**	**(12,536)**	**114,863**	**(1,728)**	**113,135**

Consolidated Statement of Cash Flows For the year ended 31 December 2019

	Notes	Year ended 31 December US$'000	Period from 10 January to 31 December US$'000
Cash flows from operating activities			
Loss before taxation		(8,646)	(7,611)
Adjustments for:			
Depreciation of property, plant and equipment	5	894	457
Amortisation of right-of-use assets	7	18	-
Share-based payment charge	13	137	-
Interest income	23	(1,638)	(55)
Finance costs	26	3,662	771
Foreign currency exchange differences		37	(2,611)
Fair value loss on game animals	5	43	32
Operating cash flows before working capital changes		(5,493)	(9,017)
Increase in trade and other receivables	29	66	(240)
Decrease in inventories	29	(6)	-
(Decrease) / increase in payables	29	(9,771)	1,989
Increase in other tax liabilities	29	451	-
Decrease in amounts due from / (to) related parties	8	33	(47)
(Decrease) / increase in provisions	29	(324)	534
		(15,044)	(6,781)
Income taxes paid		(15)	-
Net cash flows used in operating activities		**(15,059)**	**(6,781)**
Cash flows used in investing activities			
Purchase of property, plant and equipment	5	(1,894)	(505)
Exploration and evaluation expenditure	6	(289)	-
Decrease in loans receivable		-	293
Disposal of other financial assets	9	124	-
Acquisition of subsidiaries, net of cash acquired		-	303
Finance income received	23	1,638	54
Net cash flows (used by) / from investing activities		**(421)**	**145**
Cash flows from financing activities			
Finance costs paid	26	(3,662)	(771)
Shareholder loan (repaid) / received	29	(32)	696
Repayment of lease liabilities	16	(16)	-
Other financial liabilities	29	(814)	867
Issue of ordinary share capital	13	4,243	37,635
Costs of share issues		(31)	(1,271)
Net cash flows from financing activities		**(312)**	**37,156**
		(15,792)	**30,520**

Net (decrease) / increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	30,457	-
Foreign currency exchange gains / (losses) on cash	865	(63)
Cash and cash equivalents at end of the period	**15,530**	**30,457**

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(1) General information

Kropz plc is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa, a large-scale phosphate project in the 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 35 Verulam Road, Hitchin, SG5 1QE. The registered number of the Company is 11143400.

The Company entered into a number of agreements during 2018, as more fully described in Note 3, 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 year ended 31 December 2019, the Group incurred a loss of US$ 9 million (period to 31 December 2018 – US$ 8 million) and experienced net cash outflows from operating activities of US$ 15 million (31 December 2018 – US$ 7 million). Cash and cash equivalents totalled US$ 16 million as at 31 December 2019 (31 December 2018 – US$ 30 million). The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fundraisings to meet overheads and future exploration requirements as they fall due.

In May 2020, Kropz entered into a convertible loan facility of up to US$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Equity Facility is expected to bring the Company's Elandsfontein project, into production in Q4 2021. The equity facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the US$ 40 million and ZAR 200 million currently locked up by BNP in the accounts of Kropz Elandsfontein. In due course, the ZAR 200 million ringfenced by BNP will be released and utilised towards funding the construction and completion of Elandsfontein. Kropz Elandsfontein renegotiated and amended the BNP US$ 30 million project finance facility in June 2020, extending the first capital repayment to 31 December 2022, and quarterly thereafter to 30 September 2024. Entering into and closing the amended facility agreement with BNP removed the technical default announced to shareholders in February 2020.

In addition, the Company raised US$ 353,595 before expenses (approximately GBP 283,843) from an equity placing to an existing investor and two directors on 1 June 2020 and raised a further US$ 2,163,639, before expenses (approximately GBP 1,744,870) from an open offer to existing shareholders on 26 June 2020.

Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its employees, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 are unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The directors have reviewed the overall position and outlook in respect of the matters identified above and have prepared a cash flow forecast for the Company and Group which indicates that the Company will need to raise further funds in the second half of 2021 for working capital purposes and to progress the Hinda project. Management has been successful in raising funds in the past and the directors consider it to be appropriate to prepare the Company and Group financial statements on a going concern basis. However, there is no certainty that adequate funds will be available when needed and the COVID-19 pandemic may adversely impact the ability of the Group to raise the necessary funding. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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 US 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 currencies of Cominco Resources 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.

The functional and presentation currency of First Gear 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 the 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 applied IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments for the first time from 1 January 2019. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time in 2019 but did not have an impact on the consolidated financial statements of the Group so have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Changes in accounting policy

IFRS 16

The Group has adopted IFRS 16 which became effective on 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease-term; or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impact of adoption
The Group has one property lease which was entered into in January 2019. As such, a restatement of comparatives has not been necessary and there was no impact on accumulated losses as at 1 January 2019.

Impact on the balance sheet

On adoption, the change in accounting policy affected the following items in the balance sheet in January 2019:

	Increase / decrease	US$'000
Right-of-use assets (Note 7)	Increase	54
Lease liabilities (Note 16)	Increase	(54)

Impact on the income statement and earnings per share

For the year ended 31 December 2019, there was no net effect on operating losses as a result of applying IFRS 16 due to a portion of the lease expense now being recorded as interest expense and depreciation. In particular, operating lease expenses of US$ 18,000 were replaced by depreciation of US$ 18,000. Loss before tax was US$ 2,000 higher due to interest expenses on the lease liabilities recognised under IFRS 16. The net effect of US$ 2,000 had no material impact on Loss Per Share.

The table below summarises the profit and loss account treatment for the year ended 31 December 2019 and the comparative period for the lease:

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Finance costs		
Interest and finance charges paid/payable on lease liabilities (IFRS 16)	2	-
Leases / right-of-use assets depreciation		
Minimum operating lease payments (IAS 17)	-	-
Depreciation of right-of-use assets (IFRS 16)	18	-
Total expense in profit and loss	20	-

Impact on the cash flow statement

For classification within the statement of cash flows, the interest portion of US$ 2,000 is disclosed in operating activities and the principal portion of the lease payments of US$ 15,000 is separately disclosed in financing activities.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities; and
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that the Interpretation did not have an impact on the consolidated financial statements of the Group.

A number of standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below.

The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective as these are not expected to impact the Group, they have not been listed.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

(b) Basis of consolidation

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

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. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights

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 per cent. 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 Resources, 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 Resources.

(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; and
- 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:

	Depreciation method	**Average useful life**
Item		
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 assets' 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 are 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) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low-value assets; and
- leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. An explanation of the transitional requirements that were applied as at 1 January 2019 is included above. The following policies apply subsequent to the date of initial application, 1 January 2019.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) there is an identified asset;
(b) the Group obtains substantially all the economic benefits from use of the asset; and
(c) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those that are incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

The discount rate is the rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used which the Company has assessed to be 5.22 per cent., being an average LIBOR plus 3 per cent., being an appropriate level of risk to the risk-free rate of borrowing.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and

- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, as rarely happens, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases. an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

(f) 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.

(g) 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.

Modification of debt instruments

When the contractual terms of a financial liability are substantially modified, it is accounted for as an extinguishment of the original debt instrument and the recognition of a new financial liability. The new debt instrument is recorded at fair value and any difference from the carrying amount of the extinguished liability, including any non-cash consideration transferred, is recorded in profit or loss. Any costs or fees incurred are generally included in profit or loss, too.

If a modification to the terms of a financial liability is not substantial, then the amortised cost of the liability is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over its term. The periodic re-estimation of cash flows to reflect movements in market rates of interest will change the effective interest rate of a floating-rate financial liability.

To determine whether a modification of terms is substantial, the Company performs a quantitative assessment. If the difference in the present values of the cash flows is less than 10 per cent, then the Company performs a qualitative assessment to identify substantial differences in terms that by their nature are not captured by the quantitative assessment. Performing a qualitative assessment may require a high degree of judgement based on the facts and circumstances.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

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.

(l) Share capital and equity

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

(m) 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.

(n) 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.

(o) Intangible assets

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

(p) Finance income

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

(q) 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 13 to the Consolidated Financial Statements.

(r) 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) *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 per cent. plus one share. Management considers that it controls First Gear as this holding gives the Company control over its strategic, operational and financing decisions.

(ii) *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.

(iii) *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 32 for sensitivity analysis of foreign exchange risk.

(iv) *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.

(v) *Other financial assets*

The Group has given guarantees to a number of third parties as described in Note 9 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.

(vi) *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.

(s) 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 determines 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 include discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock, mine production levels and foreign currency exchange rates.

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) the novation rights and obligations under the First Gear loan agreements with Kropz International and of Mike 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
Mike 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)
Total identifiable net assets acquired	**(115)**
Amount transferred to exploration and evaluation assets	62
Non-controlling interests	58
Total	**5**

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 per cent. interest in ELH on 27 November 2018; and
- 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.

<u>Steps in re-organisation</u>

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 GBP 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 US$ 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of US$ 30,743,792; and (vi) the benefit of the outstanding ELH loan account of US$ 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) <u>Reorganisation, asset and share purchase agreement</u>

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$ 1,494,066;

v. the benefit of the outstanding Kropz Elandsfontein loan account of US$ 32,162,463; and

vi. the benefit of the outstanding ELH loan account of US$ 1,728,233,

for a total consideration of US$ 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 was an acquisition of more than 90 per cent. 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)

Total identifiable net liabilities assumed	**(1,357)**
Amounts transferred to merger reserve	5,168
Non-controlling interests in Xsando (Pty) Ltd and West Coast Fertilisers (Pty) Ltd	3
Total	**3,814**

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

(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 US$ 28,857,000 transferred to the merger reserve represents the amount by which consideration was in excess of net assets attributable to the parent company.

(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 US$ 1,376,000 transferred to the merger reserve represents the amount by which consideration was in excess of net assets attributable to the parent company.

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 Resources is a company incorporated and domiciled in the BVI with Company Number BV No 1416753. Cominco Resources 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 Resources offer document dated 1 November 2018, Kropz plc made an Offer to acquire the share capital of Cominco Resources at the date of admission of Kropz plc's shares to trading on AIM.

Under this Offer agreement, the key shareholders, Cominco Resources and Kropz plc agreed the sale of their shares in Cominco Resources for US$ 85.17 cents per share (amounting to a US$ 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 US$ 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 Resources shareholders and accordingly, on Admission, the Company acquired 71.3 per cent of Cominco Resources.

The Offer for Cominco Resources 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 Resources shareholders.

The total consideration shares issued by Kropz plc to previous Cominco Resources shareholders was 77,321,651 ordinary shares at an issue price of 40 pence per ordinary share, giving a total consideration of GBP 30,928,660 (equivalent to US$ 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.

On 19 February 2019, Kropz plc acquired the remaining 482,927 Cominco Resources shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share, for a consideration of GBP 321,326 (equivalent to approximately US$ 419,000).

(4) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2019, 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 Woodstock	Intermediate holding company	100 per cent.
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Cape Town 8001 South Africa	Property owner	70 per cent. *
Kropz Elandsfontein (Pty) Ltd	South Africa		Phosphate exploration and mining	74 per cent. **
West Coast Fertilisers (Pty) Ltd	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	BVI	Woodbourne Hall, PO Box 3162, Road Town, Tortola, British Virgin Islands	Phosphate exploration	100 per cent.
Cominco S.A.	RoC		Development	100 per cent. ***
Cominco Resources (UK) Ltd	England and Wales		Service company	100 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 2019 Cost US$'000	31 Dec 2019 Accumulated Depreciation US$'000	31 Dec 2019 Carrying value US$'000	31 Dec 2018 Cost US$'000	31 Dec 2018 Accumulated Depreciation US$'000	31 Dec 2018 Carrying value US$'000
Buildings and infrastructure						
Land	2,159	-	2,159	2,108	-	2,108
Buildings	11,489	(9)	11,480	11,217	(7)	11,210
Capitalised road costs	9,214	(2,150)	7,064	8,996	(1,499)	7,497
Capitalised electrical sub-station costs	3,998	(844)	3,154	3,903	(564)	3,339
Machinery, plant & equipment						
Critical spare parts	1,213	-	1,213	1,185	-	1,185
Plant and machinery	56,357	(73)	56,284	54,329	(67)	54,262
Furniture & fittings	45	(42)	3	44	(40)	4
Geological equipment	49	(49)	-	48	(47)	1
Office equipment	36	(12)	24	35	(8)	27
Other fixed assets	1	(1)	-	1	-	1
Motor vehicles	133	(127)	6	130	(106)	24
Computer equipment	44	(39)	5	38	(33)	5
Mine development	20,354	-	20,354	18,724	-	18,724
Stripping activity costs	3,265	-	3,265	3,188	-	3,188
Game animals	213	-	213	251	-	251
Total	**108,570**	**(3,346)**	**105,224**	**104,197**	**(2,371)**	**101,826**

Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2019

	Opening Balance US$'000	Additions US$'000	Fair value loss US$'000	Depreciation charge US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Buildings and infrastructure						
Land	2,108	-	-	-	51	**2,159**
Buildings	11,210	-	-	(3)	273	**11,480**
Capitalised road costs	7,497	-	-	(597)	164	**7,064**
Capitalised electrical sub-station costs	3,339	-	-	(259)	74	**3,154**

Machinery, plant & equipment						
Critical spare parts	1,185	-	-	-	28	**1,213**
Plant and machinery	54,262	713	-	(5)	1,314	**56,284**
Furniture & fittings	4	-	-	(1)	-	**3**
Geological equipment	1	-	-	(1)	-	**-**
Office equipment	27	-	-	(4)	1	**24**
Other fixed assets	1	-	-	-	(1)	**-**
Motor vehicles	24	-	-	(18)	-	**6**
Computer equipment	5	5	-	(6)	1	**5**
Mine development	18,724	1,177	-	-	453	**20,354**
Stripping activity costs	3,188	-	-	-	77	**3,265**
Game animals	251	-	(44)	-	6	**213**
Total	**101,826**	**1,895**	**(44)**	**(894)**	**2,441**	**105,224**

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

	Opening Balance US$'000	**Additions US$'000**	**Disposals US$'000**	**Depreciation charge US$'000**	**Foreign exchange gain/loss US$'000**	**Closing balance US$'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 US$ 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. Property, plant, equipment and mine development's recoverable amount was calculated based on the asset's value in use, using a discounted cash flow model using cash flow projections approved by management over the life of the mine and is most sensitive to the following key estimates and assumptions:

- Phosphate rock prices;
- phosphate recoveries; and
- operating costs.

Economically recoverable resources represent management's expectations at the time of completing the assessment of the carrying value of property, plant, equipment and mine development and are based on the resource statements and exploration and evaluation work undertaken by appropriately qualified persons, forecast phosphate prices which are comparable to market consensus forecasts and a forecast South African rand exchange rate which is aligned with forward market rates. Based on the assumptions the recoverable amount of assets significantly exceeds its carry amount and therefore assets were not impaired. The positive results of the year-end impairment review enabled the impairment provision recognised in the Interim Report to be reversed.

Sensitivity Analysis

The following table summarises the potential impact of changes in the key estimates and assumptions (assessed independently of each other):

		Increase/(decrease) in headroom US$m
Impact if selling prices/production tonnes	increased by 10%	63
	reduced by 10%	(63)
Impact if operating costs:	increased by 10%	(34)
	reduced by 10%	34

(6) Intangible assets - Exploration and evaluation costs

	31 Dec	**31 Dec**	**31 Dec**	**31 Dec**	**31 Dec**	**31 Dec**

	2019 Cost US$'000	2019 Amort-isation US$'000	2019 Carrying value US$'000	2018 Cost US$'000	2018 Amort-isation US$'000	2018 Carrying value US$'000
Capitalised costs	40,192	-	40,192	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.

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 US$'000	Additions US$'000	Foreign exchange loss US$'000	Closing balance US$'000
Year ended 31 December 2019				
Capitalised exploration costs	40,772	289	(869)	**40,192**

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

(7) Right-of-use assets

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Cost		
Capitalisation due to transition to IFRS 16	54	-
Foreign exchange gains	1	-
As at 31 December	55	-
Amortisation		
Charge for the year	18	-
As at 31 December	18	-
Net book value	**37**	**-**

(8) Amounts due from a director

	31 December 2019 US$'000	31 December 2018 US$'000
Mike Nunn	-	33
Total	**-**	**33**

The amounts are unsecured, interest free and repayable on demand. The full amount was repaid in the 2019 financial year.

(9) Other financial assets

	31 December 2019 US$'000	31 December 2018 US$'000
DMR guarantee	712	695
Eskom guarantee (1)	-	124
Eskom guarantee (2)	373	364
Eskom guarantee (3)	378	370
Heritage Western Cape Trust	71	70
Total	**1,534**	**1,623**

DMR guarantee
Guarantee in favour of the Department of Mineral Resources for ZAR 10,000,000 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 ZAR 1,788,433 in respect of a "contract works security guarantee".

Eskom guarantee (2)
Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR 5,235,712 in respect of "supply agreement (early termination) guarantee".

Eskom guarantee (3)
Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR 5,305,333 in respect of an "electricity accounts guarantee".

Heritage Western Cape Trust
ZAR 1,000,000 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 release and return of the guarantee.

Fair value of other financial assets
The carrying value of other financial assets approximates their fair value.

(10) Inventories

	31 December 2019 US$'000	31 December 2018 US$'000

Consumables	851	838
Spare parts	24	23
Total	**875**	**861**

(11) Trade and other receivables

	31 December 2019 US$'000	31 December 2018 US$'000
Prepayments and accrued income	62	-
Deposits	49	47
VAT	71	198
Other receivables	147	86
Total	**329**	**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 was past due at the end of the reporting dates.

Trade and other receivables impaired
None of the trade and other receivables was 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.

Expected credit losses
There are no current receivable balances lifetime expected credit losses in the current year.

(12) Cash and cash equivalents

	31 December 2019 US$'000	31 December 2018 US$'000
Bank balances	15,528	30,456
Cash on hand	2	1
Total	**15,530**	**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.

(13) Share capital

The Company was incorporated with an issued share capital of GBP 1 made up of one ordinary share of GBP 1. Each shareholder has the right to one vote per ordinary share in the 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 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**
Issue of shares to advisers	1,357,080	2	708	-	710
Issue of shares on compulsory redemption of Cominco Resources minorities	803,315	1	418	-	419
Placing of shares	19,364,659	25	4,248	-	4,273
Warrants issued	-	-	(30)	-	(30)
Cost of issuing shares	-	-	(31)	-	(31)
As at 31 December 2019	**283,406,307**	**363**	**147,339**	**(20,523)**	**127,179**

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 GBP 1 per ordinary share;

b) On 4 June 2018, each ordinary share of GBP 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 GBP 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 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 US$ 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of US$ 30,743,792; and (vi) the benefit of the outstanding ELH loan account of US$ 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 US$ 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 US$ 2,500,000 and accrued interest of US$ 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 Resources 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 Resources, which required the allotment and issue of 55,669,176 Ordinary Shares to Cominco Resources shareholders on Admission at 40 pence a share (GBP 22,267,670, approximately US$ 28,532,000);

l) On Admission, the Company raised GBP 27,343,750 (approximately US$ 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 (GBP 8,660,990, approximately US$ 11,096,000).

Issue of shares in the year ended 31 December 2019:

On 1 February 2019, the Company issued 1,357,080 new ordinary shares of 0.1 pence each in the capital of the Company at a price of 40 pence per share for a total consideration of GBP 542,832 (equivalent to approximately US$ 710,000) 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 Resources. The new ordinary shares were admitted to trading on AIM on 6 February 2019.

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, on 19 February 2019 the Company applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding ordinary shares of Cominco Resources held by the remaining Cominco Resources shareholders ("Compulsory Redemption"). Pursuant to the Compulsory Redemption, Kropz acquired the remaining 482,927 Cominco Shares for which a further 803,315 ordinary shares were issued at a price of 40 pence per share for a total consideration of GBP 321,326 equivalent to approximately US$ 423,000). The new ordinary shares were admitted to trading on AIM on 22 February 2019, resulting in an issued share capital of 264,041,648 Ordinary Shares. Following the Compulsory Redemption, the Company holds 100 per cent. of the issued share capital of Cominco Resources.

A difference of approximately US$ 9,000 arose between the consideration paid and the amount by which the non-controlling interests have been adjusted. This has been recognised directly in equity and attributed to the owners of the parent.

On 3 July 2019, the Company raised US$ 4.3 million (GBP 3.4 million) before expenses by way of a placing (the "Placing") for 19,364,659 ordinary shares of 0.1 pence each at a price of 17.6 pence per ordinary share (the "Placing Shares").

The net proceeds of the placing were used to provide additional working capital and more specifically to further advance the programme of works being carried out at its Elandsfontein, Hinda and Aflao projects.

The Placing Shares were admitted to trading on AIM on 3 July 2019. The Placing Shares were issued as fully paid and rank *pari passu* in all respects with the existing ordinary shares.

Following the issue of the Placing Shares and their admission to AIM, the Company has 283,406,307 ordinary shares in issue.

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 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. An option-holder has no voting or dividend rights in the Company before the exercise of a share option. The options will vest as to performance as follows:

- 20 per cent. of the award shall vest for growth in share price of 100 per cent. from the Admission placing price (40 pence);
- a further 20 per cent. of the award shall vest for growth in share price of 250 per cent. from the Admission placing price;
- a further 30 per cent. of the award shall vest for growth in share price of 350 per cent. from the Admission placing price; and
- a further 30 per cent. of the award shall vest for growth in share price of 500 per cent. from the Admission placing price.

The value of the options was calculated by way of a Monte Carlo Simulation using the following assumptions.

Share-option assumptions at issue date	
Share price	GBP 0.40
Exercise price	GBP 0.40
Expected volatility	40%
Expected dividends	0%
Risk-free interest rate	2.1%
Option life	10 years

The expected volatility is based on the historic volatility. Options are stated in UK Pound Sterling as the Company is listed on the AIM market of the London Stock Exchange.

Ian Harebottle resigned on 29 February 2020 and the ESOP options awarded to him lapsed and expired on that date.

The charge to profit and loss was US$ 137,000 (31 December 2018: US$ nil).

No LTIP awards were made during the year ended 31 December 2019 (31 December 2018: Nil).

Equity warrants

The Company issued 1,116,544 equity warrants over ordinary shares in the Company during the year, as more fully described above (period ended 31 December 2018: 83,456 equity warrants). No equity warrants have been exercised or forfeited. Accordingly, 1,200,000 equity warrants remained in place at 31 December 2019 (31 December 2018: 83,456 equity warrants).

The warrants were issued to brokers in relation to their involvement in issuance of equity instruments of the Company. The services provided relate to share issuance and share issuance expenses are included within equity. The warrants were valued at the year-end using a Black-Scholes valuation model. The charge to share premium account during the year was US$ 30,000 (31 December 2018: US$ nil).

(14) 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 Resources 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.

Share-based payment reserve
The share-based payment reserve arises from the requirement to value share options and warrants in existence at the year-end at fair value (see Note 13).

(15) Shareholder loan payable

	31 December 2019 US$'000	31 December 2018 US$'000
ARC	14,701	14,386

As part of the wider group reorganisation during 2018, 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 were 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 2019 are in relation to amounts due to ARC which holds a 49.3 per cent. interest in Kropz plc.

The loans are: (i) US$ 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.

(16) Finance lease liabilities

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
In respect of right-of-use assets		
Additions during the year	54	-
Repayments during the year	(15)	-
Foreign exchange differences	1	-
Lease liabilities at end of year/period	**40**	**-**

	As at 31 December 2019 US$'000	As at 31 December 2018 US$'000
Maturity		
Current	19	-
Non-current	21	-
Total lease liabilities	**40**	**-**

(17) Other financial liabilities

	31 December 2019 US$'000	31 December 2018 US$'000
BNP	29,537	29,551
Greenheart Foundation	445	517
Other loans	-	1
Total	**29,982**	**30,069**
Non-current financial liabilities	-	29,551
Current financial liabilities	29,982	518
Total	**29,982**	**30,069**

BNP

A US$ 30,000,000 facility was made available by BNP to Kropz Elandsfontein in September 2016. Interest was charged at three months US LIBOR plus 4.5 per cent. and was initially repayable quarterly over 2 years. The first capital repayment was due on 31 March 2018.

The Group was unable to fund the instalment payments on the loan as they fell due in early 2018 and consequently, under the terms of the facility agreement, was in default from 1 April 2018. On 20 September 2018, the Group and BNP conditionally agreed a waiver of the breach and restructure of the facility under which the first capital repayment was deferred to 30 September 2020. In addition, BNP provided the necessary consents required to facilitate all the contemplated transactions leading up to the admission of Kropz plc to AIM. In June 2018 management determined that the completion of the project was likely to be delayed until Q4 of 2021 and the anticipated cost of the project might increase by up to US$ 20m. These developments meant that Kropz Elandsfontein was not in full compliance with the terms of the facility agreement and a standstill arrangement was put in place whilst a plan for the recommissioning of the project was agreed with BNP. In accordance with IFRS, the non-compliance with the facility agreement terms has required the loan to be classified as a current liability at 31 December 2019. The facility has been fully drawn down.

During January 2020, given the delays in agreeing the recommissioning plan of Elandsfontein, Kropz Elandsfontein was once again placed into default by BNP. In May 2020, Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5 per cent. plus US LIBOR, up to project completion and 4.5 per cent. plus US LIBOR thereafter. Financial closure occurred on 25 June 2020.

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 approximates their fair value.

(18) Provisions

Reconciliation of provisions – Year ended 31 December 2019

	Opening Balance US$'000	Additions/ Adjustments US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Provision for dismantling costs	518	119	13	650
Provisions for rehabilitation	3,413	(443)	82	3,052
Total	**3,931**	**(324)**	**95**	**3,702**

Reconciliation of provisions – Period ended 31 December 2018

	Opening Balance US$'000	Additions US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'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.

(19) Trade and other payables

	31 December 2019 US$'000	31 December 2018 US$'000
Trade payables	932	10,138
Other payables	91	1,394
Accruals	513	424
Total	**1,536**	**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.

(20) Other tax liabilities

	31 December 2019 US$'000	31 December 2018 US$'000
Withholding taxes	451	-
Total	**451**	**-**

The withholding tax liabilities relate to the loan from ARC.

(21) Commitments

	31 December 2019 US$'000	31 December 2018 US$'000
Authorised capital commitments	5,698	250

The committed expenditure relates to plant construction.

(22) Directors' remuneration, interests and transactions

The Directors of the Company and two executives of Kropz Elandsfontein are considered to be the Key Management Personnel of the Group. Details of the Directors remuneration, Key Management Personnel remuneration which totalled US$ 1,333,360 (2018: US$ 480,131) (including notional option cost and social security contributions) and Directors' interests in the share capital of the Company are disclosed in the Directors' Report. Amounts reflected relate to short-term employee benefits and were converted to US$ at the 31 December 2019 GBP exchange rate of 0.758 and ZAR exchange rate of ZAR 14.040.

The highest-paid Director in the year received remuneration, excluding notional gains on share options, of US$ 388,742 (2018: US$ 341,589).

(23) Finance income

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Foreign currency gains	855	-
Interest income received	783	382
Total	**1,638**	**382**

(24) Operating expenses

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Foreign exchange loss	-	1,555
Fair value loss on game animals	43	32
Amortisation of right of use asset	18	-
Depreciation of property, plant and machinery	894	457
Employee costs	1,361	613
Share option cost	137	-
Electricity and water – mine operations	886	26
Inventory expense	6	-
Mining costs	429	197
Plant operating costs and recoveries	884	127
Professional and other services	1,043	1,610
Auditor's remuneration in respect of audit of the Group and parent	83	80
Auditor's remuneration in respect of audit of the Cominco Group	29	25
Other expenses	955	952
Total	**6,631**	**5,674**

(25) Staff costs

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
The average monthly number of employees was:		
Operations	8	7
Finance and administration	5	2
Management	2	5
	15	**14**

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	1,112	577

Social security costs	111	48
Share-based payments	137	-
Pension costs	1	-
	1,361	**625**

(26) Finance expense

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Shareholder loans	768	409
Foreign exchange losses	-	1,555
Bank debt	2,892	357
Finance leases	2	-
Total	**3,662**	**2,321**

(27) Taxation

Major components of tax charge	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Deferred		
Originating and reversing temporary differences	-	-
Current tax		
Local income tax recognised in respect of current periods	34	-
Local income tax recognised in respect of prior periods	84	66
Total	**118**	**66**

Reconciliation of tax charge

	Year ended 31 Dece mber 2019 US$'000	Period ended 31 Dece mber 2018 US$'000
Loss before tax	(8,646)	(7,611)
Applicable UK tax rate	19%	19%
Tax at applicable tax rate	(1,643)	(1,446)
Adjustments for different tax rates in the Group	(981)	(525)
Disallowable expenditure	146	373
Prior period tax charge	84	66
Losses carried forward not recognised	2,512	1,598
Tax charge	**118**	**66**

The movement in tax liabilities is summarised below:

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Balance brought forward	66	-
Prior period tax charge	-	66
Current year/period charge	118	-
Tax paid	(15)	-
Foreign exchange differences	5	-
Balance carried forward	**174**	**66**

The Group had losses for tax purposes of approximately US$ 37.6 million as at 31 December 2019 (2018: US$ 27.8 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. They can be carried forward indefinitely.

A net deferred tax asset of approximately US$ 10.5 million (2018: US$ 7.8 million), after set-off of accelerated depreciation allowances in respect of fixed assets of US$ 27.1 million (2018: US$ 26.0 million), 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.

(28) Earnings per share

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

	Year ended 31 December 2019 US$'000	Period ended 31 December 2018 US$'000
Loss attributable to ordinary shareholders	(6,290)	(6,255)
Weighted average number of ordinary shares in Kropz plc	273,467,747	24,575,156
Basic and diluted loss per share (US$ cents)	(2.30)	(25.45)

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.

(29) Notes to the statement of cash flows

Issue of shares

Year ended 31 December 2019

	Non-cash consideration US$'000	Cash consideration US$'000	Total US$'000
Issue of shares to advisers	710	-	710
Issue of shares on compulsory redemption of Cominco Resources minorities	419	-	419
Placing of shares	-	4,243	4,243
Cost of issuing shares	-	(31)	(31)
As at 31 December 2019	**1,129**	**4,212**	**5,341**

Net debt reconciliation

Year ended 31 December 2019

	Opening Balance US$'000	New agreements US$'000	Cash movements US$'000	Foreign exchange gain/(loss) US$'000	Closing balance US$'000
Cash and cash equivalents	30,457	-	(15,792)	865	15,530
Other financial assets	1,623	-	(124)	35	1,534
Shareholder loan payable	(14,386)	-	32	(347)	(14,701)
Other financial liabilities	(30,068)	-	814	(728)	(29,982)
Finance leases	-	(55)	16	(1)	(40)
Total	**(12,374)**	**(55)**	**(15,054)**	**(176)**	**(27,659)**

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	-	(30,238)	(867)	1,037	(30,068)
Total	**-**	**(42,436)**	**28,601**	**1,461**	**(12,374)**

	Shareholder loans (Note 15) US$'000	Other financial liabilities (Note 17) US$'000	Finance leases (Note 16) 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**
Amounts advanced / (repaid)	(33)	(814)	39	(808)
Effect of foreign exchange movements	348	728	1	1,077
At 31 December 2019	**14,701**	**29,982**	**40**	**44,723**

Reconciliation of working capital items:

Year ended 31 December 2019

	Opening Balance US$'000	Cash movements US$'000	Issue of shares (Note 13) US$'000	Foreign exchange gain/(loss) US$'000	Closing balance US$'000
Trade and other receivables	331	(66)	-	64	329
Inventories	861	(6)	-	20	875
Trade and other payables	(11,596)	9,771	710	(421)	(1,536)
Provisions	(3,931)	324	-	(95)	(3,702

(30) Related parties

Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

Name	**Relationship**
Mark Summers	Director
Ian Harebottle	Director
Mike 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) Ltd	Subsidiary
Xsando (Pty) Ltd	Subsidiary
First Gear Exploration Limited	Subsidiary
Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
ARC	Shareholder

Details of remuneration to KMP are contained in Note 22 to the Consolidated Financial Statements.

Details of the group reorganisation in 2018 and associated transactions with shareholders are explained in Note 3, 13 and 15. In addition, the following transactions were carried out with related parties:

Related party balances
Loan accounts – Owed (to) / by related parties

	31 December 2019 US$'000	**31 December 2018 US$'000**
ARC	(14,701)	(14,386)
M Nunn	**-**	33
Others	**-**	(1)
Total	**(14,701)**	**(14,354)**

Related party balances
Interest paid to related parties

	Year ended 31 December 2019 US$'000	**Period ended 31 December 2018 US$'000**
Kropz International	-	345
ARC	768	64
Total	**768**	**409**

(31) Categories of financial instrument

Financial assets by category
The accounting policies for financial instruments have been applied to the line items below:

	31 December 2019 US$'000	**31 December 2018 US$'000**
Financial assets at amortised cost		
Trade and other receivables	329	331

Due from a director	-	33
Other financial assets	1,534	1,623
Cash and cash equivalents	15,532	30,457
Total	**17,395**	**32,444**

Financial liabilities by category
The accounting policies for financial instruments have been applied to the line items below:

	31 December 2019 US$'000	31 December 2018 US$'000
Financial liabilities at amortised cost		
Shareholder loans payable	14,701	14,386
Trade and other payables	1,536	11,956
Finance leases	40	-
Other financial liabilities	29,982	30,069
Tax liabilities	625	-
Total	**46,884**	**56,411**

(32) 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 15 and 17 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 US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'000
At 31 December 2019				
Shareholder loans payable	-	-	-	28,021
Trade and other payables	1,536	-	-	-
Finance leases	19	21	-	-
Other financial liabilities	2,726	2,281	33,751	-
Total	**4,281**	**2,302**	**33,751**	**28,021**

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'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 on 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 2019, if interest rates on the shareholder and BNP loans (denominated in US$) had been 1 per cent higher/lower with all other variables held constant, post-tax losses and equity for the year/period would have been approximately US$ 440,000 (2018: US$ 40,000) higher/lower respectively.

Foreign currency risk:
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities (when financial liabilities and cash are denominated other than in a company's functional currency).

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. The Group's net exposure to foreign exchange risk was as follows:

	Functional currency		
As at 31 December 2019	**South African Rand US$'000**	**British Pound US$'000**	**Total US$'000**
Financial assets denominated in US$	-	1,252	1,252
Financial liabilities denominated in US$	(44,689)	-	(44,689)
Net foreign currency exposure	**(44,689)**	**1,252**	**(43,437)**

As at 31 December 2018	**South African Rand US$'000**	**Total US$'000**
Financial assets denominated in US$	-	-
Financial liabilities denominated in US$	(43,936)	(43,936)
Net foreign currency exposure	**(43,936)**	**(43,936)**

Foreign currency sensitivity analysis:
The following tables demonstrate the sensitivity to a reasonably possible change in South African Rand and GBP exchange rates, with all other variables held constant.

The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

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

	As at 31 December 2019 Increase/ (Decrease) US$'000	**As at 31 December 2018 Increase/ (Decrease) US$'000**
Effects on net assets		
Rand:		
- strengthened by 10 per cent.	(4,469)	(4,394)
- weakened by 10 per cent.	4,469	4,394

Effects on net assets		
GBP:		
- strengthened by 10 per cent.	125	-
- weakened by 10 per cent.	(125)	-

(33) Segment information

Operating segments

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

Geographical segments

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 US$'000	Ghana US$'000	Congo US$'000	Group US$'000
As at 31 December 2019				
Total non-current assets	106,851	-	40,136	146,987

	South Africa US$'000	Ghana US$'000	Congo US$'000	Group US$'000
As at 31 December 2018				
Total non-current assets	103,441	62	40,718	144,221

(34) Non-controlling interests

	31 December 2019 US$'000	31 December 2018 US$'000
As at beginning of year/period	1,138	**-**
Share of losses for the year/period	(2,474)	(1,422)
Share of other comprehensive income	33	-
Purchase of non-controlling interests in subsidiaries	(425)	2,560
As at end of the year/period	**(1,728)**	**1,138**
Non-controlling interests in cash flows	**(4,403)**	**(1,381)**

(35) Material subsequent events

On 13 May 2020, the Company announced that it had entered into a conditional convertible loan facility of up to US$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder ("Equity Facility"). The proceeds of the Equity Facility will be used to bring the Company's Elandsfontein phosphate project, located in South Africa, into production in Q4 2021.

On 1 June 2020, the Company raised a total of US$ 353,595 (before expenses) by way of an equity placing with an existing investor and two directors, Lord Robin Renwick and Mark Summers, at a price of 6.75 pence per ordinary share. 4,505,060 shares were placed with placees of which 300,000 shares were placed with Lord Robin Renwick and 30,000 with Mark Summers.

In June 2020, the Company undertook an equity placing to existing shareholders ("Open Offer"). As announced on 29 June 2020, the Company received valid acceptances and excess applications from qualifying shareholders for a total of 25,849,920 Open Offer Shares. Consequently, all excess applications have been accepted and allotted in full and the Company has raised gross proceeds of approximately GBP 1.74 million. Mark Summers, interim CEO, has subscribed for 50,000 Open Offer Shares. ARC, Kropz's major shareholder, subscribed for 25,481,482 Open Offer Shares under the Open Offer.

After conclusion of the Equity Facility, Kropz Elandsfontein and BNP entered into an amendment and restatement agreement in May 2020 pursuant to which Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016. The facility has been fully drawn. The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5 per cent. US plus LIBOR, up to project completion and 4.5 per cent. US plus LIBOR thereafter. Financial closure occurred on 25 June 2020. In accordance with IFRS 9, the loss to be recognised in profit and loss arising from the modification of the loan subsequent to the year-end amounts to approximately US$ 900K.

Coronavirus Outbreak

The COVID-19 pandemic announced by the World Health Organization is having a markedly negative impact on global stock markets, currencies and general business activity. The timing and extent of the impact and recovery from COVID-19 are unknown but it may affect planned activities and potentially display a post balance sheet date impact. The Elandsfontein project timetable is not currently affected. In line with the Directive, care and maintenance operations have continued on-site.

As announced on 16 March 2020, the Water Tribunal has been postponed indefinitely. The Company does not expect the Water Tribunal to be rescheduled until after the Directive has been lifted. Pending the Water Tribunal's decision, there is no legal impediment to the continuation of the water use activities authorised in the WUL.

(36) Ultimate controlling party

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