The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

30 June 2021

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

Final Results for the Year ended 31 December 2020,
Posting of Annual Report and Accounts

Kropz plc (AIM: KRPZ), an emerging African producer of plant nutrient feed minerals, announces its results for the year ended 31 December 2020 and the publication of the Company's Annual Report.

The full financial report and Notice of General Meeting will be available online shortly on the Company's website at www.kropz.com and are being posted to shareholders today.

The Company will hold a General Meeting for the purposes of approving the Annual Report which will be held at the offices of Memery Crystal Limited at 165 Fleet Street, London EC4A 2DY on 23 July 2021 at 11:00a.m.

Key developments during the 2020 financial year

Corporate

- Kropz Plc ("Kropz" or "the Company") 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 ("Original Equity Facility") in June 2020, to be used exclusively for the development of the Elandsfontein phosphate project ("Elandsfontein") in South Africa;
- The first drawdown on the Original Equity Facility occurred on 26 June 2020 for US$ 10 million, and two further drawdowns for US$ 4 million and US$ 5 million in terms of the Original Equity Facility were concluded on 25 September 2020 and 10 December 2020, respectively;
- Completion of an open offer to existing shareholders to raise up to US$ 4 million, before expenses, at an issue price of 6.75 pence per ordinary share ("Open Offer"). The Open Offer closed on 26 June 2020 and raised US$ 2,163,639, before expenses (approximately GBP 1,744,870). The proceeds of the Open Offer were used for general working capital purposes;
- Completion of an equity placing to an existing investor and two Directors for US$ 353,595, before expenses (approximately GBP 283,843), at an issue price of 6.75 pence per ordinary share ("the Placing") on 1 June 2020. The proceeds of the Placing were used to progress work at Hinda;
- Cash and cash equivalents, as at 31 December 2020, of US$ 12 million (2019: US$ 16 million);
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP Paribas SA ("BNP"), as at 31 December 2020, of US$7 million (2019: US$ Nil); and
- Property, plant, equipment and development and exploration assets of US$ 159 million (2019: US$ 145 million).

Elandsfontein

- The primary focus of Kropz in 2020 was the Elandsfontein project in South Africa;
- Kropz Elandsfontein (Pty) Ltd ("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. The amended facility agreement caters for an interest rate of 6.5per cent. plus US LIBOR, up to project completion (as per the amended BNP facility agreement expected to be December 2022) and 4.5per cent. plus US LIBOR thereafter, payable quarterly. The BNP facility remains fully drawn;
- Eriez completed pilot scale test work to confirm and optimise the remedial process flow sheet;

- The test work confirmed that the modified Elandsfontein processing plant can produce a final concentrate to specification of 68 per cent. BPL (31per cent. P_2O_5);
- Engineering and design of the plant indicated that additional equipment would be required, including:
    - new stacked screens to optimise the milling circuit;
    - a water treatment plant;
    - attritioning and conditioning circuits;
    - additional flotation cells to float the coarse size fraction of +212 microns; and
    - ancillary infrastructure and modifications of the original Elandsfontein processing plant;
- 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") in March 2020;
- Orders were placed for several long lead items, including stacked screens, flotation cells and cyclones;
- Site based construction activities commenced at Elandsfontein in August 2020 and advanced well through the year, despite the COVID pandemic; and
- Equipment and steel procurement and fabrication continued, with first major mechanical equipment items delivered to site.

Hinda

- Kropz concluded a competitive tender process for the updating of the 2015 Hinda feasibility study ("Updated FS");
- RoC government approval of the new terms of reference for the updated Environmental and Social Impact Assessment ("ESIA"); and
- Conclusion of a focussed logistics study for Hinda, completed by Hatch Africa (Pty) Ltd ("Hatch") in September 2020.

Key developments post the financial year end

Corporate

- Kropz secured a further convertible loan facility of up to US$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz;
- The fourth drawdown on the Original Equity Facility occurred on 10 March 2021 for US$ 7 million;
- The fifth drawdown on the Original Equity Facility occurred on 23 June 2021 for US$ 11 million;
- US$ 3 million remains undrawn at 29 June 2021 on the Original Equity Facility;
- The first drawdown on the Further Equity Facility occurred on 10 March 2021 for US$ 2 million;
- The second drawdown on the Further Equity Facility occurred on 23 June 2021 for US$ 2 million; and
- US$ 1 million remains undrawn at 29 June 2021 on the Further Equity Facility.

Elandsfontein

- Significant progress continues to be made at Elandsfontein and the project remains on track for achieving the target date for commissioning in Q4 2021, within the current projected capital budget;
- Earthworks and civil construction is complete;
- Fabrication, installation and assembly of structural steel, platework and piping is ongoing;
- Major mechanical equipment installation is well advanced with most major equipment installed;
- The project schedule however remains under strain, with a high number of critical path, and near critical path, items being managed concurrently;
- A funding shortfall is expected in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to strengthening of the ZAR against the US$; and
- As announced on 25 May 2021, Transnet and Elandsfontein are working on a revised solution for the export of Elandsfontein's phosphate rock product. Following several meetings, Transnet has given assurances to deliver a long-term port access agreement for the main export of Elandsfontein's phosphate rock through the port of Saldanha. Exports through Cape Town will be included in the agreement as a mitigation measure, in the event that capacity through Saldanha is unavailable for a limited period of time.

Hinda

- As announced on 4 February 2021, Kropz appointed Hatch to complete the Hinda Updated FS; and
- Work is ongoing by Hatch and to date no workstreams have been negatively impacted due to the COVID pandemic.

Aflao

- Kropz divested its 50 per cent. + 1 share interest in Aflao, as announced on 16 February 2021.

Chairman's Statement

Dear shareholder,

The financial year ended 31 December 2020 was a challenging year, particularly given the global COVID pandemic and the impact that it had on the global economy.

The COVID pandemic has, to date, not had a significant impact on construction activities at Elandsfontein. Remedial measures were successfully implemented by management and we are pleased to report that no cases of COVID had been reported on site since early January 2021.

Thanks to the ARC Fund, Kropz's major shareholder, funding has been secured to significantly complete the Elandsfontein project and complete the Hinda Updated FS.

Kropz entered into the Original Equity Facility with ARC on 13 May 2020 for US$ 40 million (maximum of ZAR 680 million). The Original Equity Facility, together with existing cash of US$ 12 million (approximately ZAR 200 million) at that time, is being utilised to progress the development of Elandsfontein. The Original Equity Facility was approved by shareholders at the Kropz general meeting on 29 May 2020.

In addition, Kropz entered into a Further Equity Facility with ARC on 15 February 2021 for US$ 5 million (maximum of ZAR 85 million), to be utilised to complete the Updated FS at Hinda and for general corporate purposes.

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 GBP 1,744,870).

Kropz Elandsfontein and BNP also entered into an amended facility agreement, extending the first capital repayment date to 31 December 2022. The BNP facility of US$ 30 million is fully drawn.

Significant progress continues to be made at Elandsfontein and the project remains on track for achieving the target date for commissioning in Q4 2021. The present focus is primarily on the site-based construction activities, which are permitted to continue under the current COVID restrictions in place in South Africa. Civil and earthworks are completed and the erection and installation of structural steel, plate work, piping and major mechanical equipment is progressing well. Images of the progress at the Elandsfontein site are available online at www.kropz.com/projects/elandsfontein/gallery-elandsfontein.

Kropz appointed Hatch in February 2021 to complete the Updated FS for Hinda. The Updated FS will target a phased approach in line with the terms of the mining investment agreement, with initial production of one million tonnes per annum ("Mtpa") of phosphate rock being exported from the existing port facility at Pointe-Noire, which is 50 km from Hinda. A second phase production ramp-up of two Mtpa will also be evaluated with export from a new port site, located north of Pointe-Noire. The Updated FS is expected to be concluded by the end of September 2021.

As previously announced, Kropz divested its interest in Aflao in February 2021.

The Board is grateful to all the members of the executive, management and teams on the ground for all their efforts during a very challenging year, to our major shareholder for the further commitment shown by them and to our auditors and advisors. The Board looks forward to updating shareholders on the progress made at Elandsfontein and Hinda.

Lord Robin William Renwick of Clifton
Non-Executive Chairman
29 June 2021

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

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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 focusing on sub-Saharan Africa.

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 generally remained under pressure throughout 2020, mainly due to the COVID pandemic. The current rock prices are higher than those experienced in 2020.

Market analysts expect that a post COVID recovery in downstream fertiliser prices will provide support for an increase in global phosphate rock prices until at least 2025, when new production is expected to come on stream, whereafter phosphate rock prices should flatten out.

Significant changes in the state of affairs

Share issues

On 1 June 2020, Kropz announced that it had raised US$353,595 (before expenses) by way of an equity placing of 4,505,060 ordinary shares with an existing investor and two Directors, Lord Robin Renwick and Mark Summers, at a price of 6.75 pence per ordinary share. The placing shares were admitted to trading on AIM on 4 June 2020.

On 25 June 2020, Kropz announced the first drawdown of US$ 10 million of the Original Equity Facility. This drawdown, together with fees associated with ARC providing a bank guarantee on behalf of Kropz Elandsfontein to BNP, resulted in the issue of 130,199,604 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The first ARC drawdown and guarantee fee shares were admitted to trading on AIM on 30 June 2020.

On 29 June 2020, Kropz announced that it had raised US$ 2,163,639 before expenses (approximately GBP1,744,870) by way of an open offer of 25,849,920 ordinary shares with ARC Fund, existing investors and a Director, Mark Summers, at a price of 6.75 pence per ordinary share. The placing shares were admitted to trading on AIM on 30 June 2020.

On 24 September 2020, Kropz announced the second drawdown of US$ 4 million of the Original Equity Facility. This drawdown resulted in the issue of 50,962,963 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The second ARC drawdown shares were admitted to trading on AIM on 25 September 2020.

On 9 December 2020, Kropz announced the third drawdown of US$ 5 million of the Original Equity Facility. This drawdown resulted in the issue of 63,703,704 ordinary shares to ARC at an issue price of 6.75 pence per ordinary share. The third ARC drawdown shares were admitted to trading on AIM on 10 December 2020.

After the three ARC drawdowns of the Original Equity Facility and the Open Offer and Placing, the issued share capital at 31 December 2020 was 558,627,558 ordinary shares (2019: 283,406,307).

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 one 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 issued share capital of Kropz Elandsfontein, the company which owns the Elandsfontein project.

Prior to 2020, in excess of US$ 120 million was 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 conducted significant test work to define a robust circuit, to cater for all ore types present within the Elandsfontein resource.

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

Activity for the year ended 31 December 2020

The focus for the 2020 financial year was completion of the front end engineering design for the required plant modifications, the appointment of the EPCM contractor (DRA), procurement of major mechanical equipment, site based construction contracts and the commencement of site based construction activities.

Mining and geology

The Elandsfontein resource is defined below, on a total (gross) and net attributable basis. No further geological drilling was conducted in 2020.

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**	**7.8**
Net Attributable (74per cent. attributable to the Company)								
Measured	35.2	10.3	1.2	0.2	1.0	14.9	69.8	3.6
Indicated	22.4	5.1	1.2	0.1	0.9	7.1	82.9	1.2
Inferred	17.2	5.5	1.2	0.1	1.0	7.5	82.5	0.9
Total	**74.8**	**7.7**	**1.2**	**0.2**	**0.9**	**10.9**	**75.9**	**5.7**

Plant and processing

Based on the test work completed, DRA concluded 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., in early 2020.

Care and maintenance of the existing Elandsfontein infrastructure was routinely conducted in accordance with the approved care and maintenance plan during 2020.

Dewatering of the aquifer also continued, together with the updated ground water management plan.

The Department of Mineral Resources and Energy ("DMRE") issued a directive to Kropz Elandsfontein during 2020 to upgrade its Environmental Management Programme ("EMPr") in line with latest South African legislation. The updated EMPr was submitted to the DMRE in September 2020 and the progress is discussed below under "Post reporting period events".

Safety, health and environment

As at 31 December 2020, the lost time injury frequency rate, per 200,000 man hours, was zero (2019 - 0.179). No environmental or safety incidents were reported during the year.

CSR and sustainability

The execution of the five-year plan, aligned with the 2018 South African Mining Charter, and submitted to the DMRE remains on track. The plan included progressive improvements to obtain compliance on the employment equity and procurement objectives of the South African mining charter scorecard. The following strategic focus areas were identified:

- Education;
- Social wellness;
- Local economic development; and
- Urban reconstruction and infrastructure upgrades.

Through collaboration with the local community forum, various community development projects were launched in 2020 and will continue throughout 2021.

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

Following the appointment of a specialist service provider in 2020, and extensive community engagement, eighteen start-ups were identified for the SMME development programme, which involved group and individual coaching sessions to develop and boost small businesses.

The SMME development programme was completed in July 2020. Fifteen SMME's successfully completed the programme. Additional funding was sourced from the provincial Department of Economic Development and Tourism to give each SMME seed funding in the form of equipment and materials. In addition, the group was placed into a six-month mentoring programme, which ended in February 2021.

Driver licence training

Eighty-five members of the community were selected for training and driving lessons, in order to improve individual skills and potential for future employment. The focus group was previous mine employees, women and youth from within the community. Against the backdrop of COVID restrictions, the programme was completed at the end of November 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 that 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 potential for future employment.

The programme is still ongoing and a total of twenty-one candidates were assessed externally by a qualified service provider and awarded their certificates in bricklaying, painting, tiling and carpentry. These candidates were employed during the construction phase of the project.

Disabled support

A list of twenty-five disabled people were identified to be recipients of basic equipment and infrastructure modifications for their homes.

As at 31 December 2020, modifications were hampered by restricted access to homes under COVID lockdown and this project will be completed during the second half of 2021.

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 fifty candidates were selected and commenced a two-year programme to complete their secondary school qualification. Retired teachers from within the community were contracted in to provide the evening classes and the local school and community centre were used as venues for the classes.

Forty-eight of the participants applied and registered for the June 2020 exams, which was delayed to November 2020 due to COVID and the program was adjusted to accommodate remote on-line learning. Due to the COVID challenges only thirty-four members managed to participate in the November 2020 exams.

Planning for the 2021 program has been completed and classes for 2021 have resumed. Additional candidates have been accommodated to allow for some of the younger community members to attend the classes who wish to complete their secondary school qualifications.

Thusong community centre upgrade

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

Due to COVID restrictions the second phase of this project will be completed during the last quarter of 2021.

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

Post reporting period events

EMPr

On 1 July 2020, the DMRE issued a directive to Kropz Elandsfontein to submit an updated EMPr, in line with the requirements of the National Environmental Management Act. The updated EMPr was submitted to the DMRE in the first week of September 2020.

On Friday 26 March 2021, management received the updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

Offsets

In July 2020, Kropz Elandsfontein submitted a revised Offset Study to the DMRE. Management informed the DMRE that the 2015 Offset Study for the Elandsfontein project did not adequately consider Kropz Elandsfontein's effective rehabilitation measures which have demonstrated successful implementation over the past three growing seasons. Kropz Elandsfontein's rehabilitation measures have been shown to guarantee future rehabilitation success, if conducted in accordance with the approved and financially secured mine rehabilitation plan drafted by Kropz Elandsfontein's appointed rehabilitation specialist.

Following due consideration of all the comments and responses received during the thirty day public participation period, management received notification from the DMRE on 4 March 2021 that the conditions required to cater for the offsets of land will be removed from the Elandsfontein EMPr.

Several appeals against the DMRE's decision have been lodged and are being dealt with and Kropz will update the market once these matters have been resolved.

Water use licence ("WUL")

The outstanding appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. During this fourth sitting of the matter, all evidence was heard by the Water Tribunal. The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling on 10 March 2021. The appellant has subsequently been granted two postponements for the submission of their heads of arguments, which has delayed the possible date of the ruling to 31 July 2021.

Transport and logistics

As announced on 25 May 2021, Transnet and Elandsfontein are working on a revised solution for the export of Elandsfontein's phosphate rock product. Following several meetings, Transnet has given assurances to deliver a long-term port access agreement for the main export of Elandsfontein's phosphate rock through the port of Saldanha. Exports through Cape Town will be included in the agreement as a mitigation measure, in the event that capacity through Saldanha is unavailable for a limited period of time.

Hinda

The Hinda project, currently 100 per cent. owned by Cominco S.A., is believed to be one of the world's largest undeveloped phosphate reserves. Ownership is expected to be diluted to 90 per cent. through the participation of the RoC government. It consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire 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 phased production of initially one Mtpa, then later two Mtpa to be developed for a significantly lower level of upfront capital investment.

Activity for the year ended 31 December 2020

In early 2020, Kropz completed a competitive tender for an updated feasibility study for the Hinda project. The tender award and associated work programme for Hinda was subject to securing additional funding.

As announced on 6 August 2020, Kropz appointed Hatch to conduct a focussed assessment on the export logistics capacity at its proposed port site in Pointe-Noire. The study was expected to confirm the achievable capacity through the proposed port site in Pointe-Noire and highlight any major drivers influencing throughput, from truck receiving to vessel loading. This, in turn, would enable Kropz to determine the capacity for the first phase of the mining and beneficiation plant at Hinda. The focussed logistics study for Hinda, was completed by Hatch in September 2020. The study identified that the constraints at the Pointe-Noire port would limit export capacity to 1.2 Mtpa.

With the revised mine and plant capacity, and the need to dry concentrate on site, the ESIA required an update and amendment. The terms of reference for the updated ESIA were compiled and lodged with the Ministry of Tourism and Environment. The RoC Department of Tourism and Environment validated the terms of reference of the updated ESIA during 2020.

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 underway, with the expectation that it will be completed in 2021.

In country, given the COVID pandemic, 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.

Declaration d'Utilite Publique ("DUP")

The DUP (declaration of public utility) is a process required by the government of the RoC, whereby land within the mining licence concession area may be expropriated from its existing owners in order to accommodate the needs of the mining project, its works and installations. All households, infrastructure, other structures and land uses (crops and fruit trees), need to be recorded during a survey.

In accordance with Law No. 11-2004, the RoC Minister of Land Affairs signed the Decree 12914 / MAFDP-CAB, dated 16 October 2020, declaring the DUP in respect of the Hinda project. The Land Commission was set up on 6 November 2020 by memorandum n° 262/MAFDPRP-CAB for the area covered by the demarcation plan registered under n° 127 and dated October 2020. The President of the Land Commission is the Director of the Cabinet of the Ministry of Land Affairs in the RoC.

Cominco worked on the area to be covered by this DUP, covering an area of approximately 33 km^2 to be surveyed. This area caters for the pit extent for approximately 25 years of mining and the plant site and the tailings storage facilities defined during the 2015 DFS.

The survey commenced on 27 November 2020, once the DUP was gazetted.

Mineral resources

The Hinda resource is defined below, on a total (gross) and net attributable basis. No additional drilling was conducted in 2020.

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 per cent. attributable to the Company)								
Measured	180.5	11.6	3.7	3.8	1.4	21.8	42.7	20.9
Indicated	342.8	9.8	5.0	3.3	1.8	17.6	48.5	33.6
Inferred	85.0	7.5	4.8	3.6	1.7	15.8	52.2	6.4
Total	**608.3**	**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.

Post reporting period events

Kropz appointed Hatch in February 2021 to complete the Updated FS on Hinda. The Updated FS will target a phased approach in line with the terms of the MIA, with initial production of one Mtpa of phosphate rock being exported from the existing port facility at Pointe-Noire, which is 50 km from Hinda, by road. A second phase production ramp-up of two Mtpa will also be evaluated with export from a new port site, located north of Pointe-Noire. The Updated FS is expected to be concluded by the end of September 2021.

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 expected in 2021.

The Land Commission completed the survey, required for the DUP process, on 23 January 2021 and management are reviewing the preliminary report, issued by the Land Commission, and auditing and interrogating the results and conclusions, before progressing to the next step in the DUP process.

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 African plant nutrient sector. Its priority is to bring Elandsfontein into production and then to develop Hinda.

Business model

The Company's business model is to source high quality resources 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 strong shareholder and stakeholder returns over the long term.

Elandsfontein

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 Resources appointed Hatch and commenced the Updated FS to define the economics of the proposed development option.

Cominco S.A. is expecting the completion of the ratification and formal implementation of the MIA before the end of 2021. 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, subject to short-term challenges being managed. The year ahead should provide the Company with a solid foundation for its future development.

Financial review for the year ended 31 December 2020

Summary financial highlights for the year:

- Cash and cash equivalents of US$ 12 million (2019: US$ 16 million)
- Restricted cash in terms of the amended facility agreement between Kropz Elandsfontein and BNP of US$ 7 million (2019: US$ Nil);
- Trade and other payables of US$ 5 million (2019: US$ 2 million); and
- Property, plant, equipment and development and exploration assets of US$ 159 million (2019: US$ 145 million).

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 presented in any order of priority, do not purport to be a complete list or explanation of all the risks involved in the Company or the Group's activities.

Completion of commissioning of Elandsfontein

The Elandsfontein project requires a number of modifications to the processing facility, further funding and successful commissioning in order to commence operations in Q4 2021. Any delays in securing of additional funding and the delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the operation. There can be no guarantee that implementation of the modifications identified by the Company and its technical consultants will result in a successful commissioning of the mine. Failure to complete the commissioning of the Elandsfontein project, 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. Further, see risk factor: COVID Outbreak.

Access to infrastructure

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing future mines, the Group may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, rail and maintenance facilities and logistics services and access roads.

Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Group's sites could materially adversely affect the Group's results of operations or financial condition. Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure, disruption to its transportation arrangements or reduced port capacity) could materially adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

Limited or reduced port capacity at the Port of Saldanha and the port of Pointe-Noire, as well as the associated cost increase for procuring alternative logistics could have an adverse impact on the business and financial performance of the Group.

Operational targets

The Group's principal asset, the Elandsfontein project, is an advanced stage mining project that has no operating track record upon which to base estimates of future production rates, operating costs, capital expenditures or financial performance. The operational targets of the Group will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. It is, therefore, possible that mining and production rates might fluctuate.

The financial performance of the Group is subject to its ability to achieve a target concentrate specification and production efficiency at its Elandsfontein project, according to its pre-determined budget. Failure to do this may result in failure to achieve operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. Further, mining and production rates might fluctuate.

Excessive overburden stripping, non-economical mining of ore and the dilution of feed grade to the processing facility could all have an adverse impact on the processing operations. Furthermore, a high variability in the daily feed grades could also have an adverse impact on operations and financial performance of the Group.

Once mining has commenced at Elandsfontein, any further unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations. The Group will not generate any material income until mining and processing has successfully re-commenced, while continuing to expend its cash reserves.

New entrant risk

Kropz Elandsfontein will, once production has been achieved of a commercial saleable grade product, be a new entrant in the global phosphate rock market, selling its products into a globally competitive and established market. Competitors can be very difficult to dislodge having already established their products in the global market.

There can be no guarantee that the sales estimates set by Kropz Elandsfontein will be achieved until a successful track record has been achieved. Not achieving appropriate selling prices for its commercial grade products, would have a material adverse effect on the business, operations and financial performance of the Group.

Mining risks

The business of mining and mineral processing involves a number of risks and hazards, including industrial accidents, labour disputes, community conflicts, activist campaigns, unusual or unexpected geological conditions, geotechnical risks, equipment failure, changes in the regulatory environment, environmental hazards, ground water and weather and other natural phenomena such as earthquakes and floods. The Group may experience material mine or plant shutdowns or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, and may result in actual production differing, potentially materially, from estimates of production, whether expressly or by implication. There can be no assurance that the realisation of operating risks and the costs associated with them will not materially adversely affect the results of operations or financial conditions of the Group.

Geotechnical risks could have a material adverse impact on the safety, business and financial performance of the Group's operation.

The biggest geotechnical risk to the mining at Elandsfontein is the possibility of pit 'basal heave failure' below the mineralised zone. A detailed study has been conducted by SRK (SA) including numerical modelling of the pit – based on shear strength parameters determined by geotechnical test work. SRK (SA) concluded that the base of the excavation should be limited to a 50m width in order to mitigate this risk. In order to achieve this, discipline must be employed in ensuring that backfilling never lags mining and that dewatering systems remain effective.

Possible groundwater inflow into the pit has also been identified by SRK (SA) as a potential geotechnical risk as increased water pressures could lead to pit wall instability. This risk has been mitigated by the borehole dewatering system that has been implemented, which coupled with in-pit sump dewatering has proven to be effective to date and working as designed. Diligent and regular monitoring of the efficacy of the dewatering is required to ensure that pit wall instability is minimised.

Failure to successfully dewater the mining area and maintain water levels in the mining area at the Elandsfontein project could have a material adverse impact on the operational performance, financial performance and financial condition of the Group.

WUL and associated litigation

There is currently an administrative appeal which is pending before the Water Tribunal in South Africa. The applicant and appellant is a small group of local residents who have formed a local action group which has opposed the Elandsfontein project from the outset.

The administrative appeal currently pending before the Water Tribunal seeks the setting aside of the Elandsfontein Project's integrated WUL. The third, and final appeal hearing was held from 1 to 4 February 2021 and the decision of the Water Tribunal is not known yet. 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 Kropz'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.

Enforcement of contractual rights in the RoC may be brought into question

The legal system in the RoC is based on the French civil law system (the Civil Code of the former French Equatorial Africa), which has enacted the Uniform Act to harmonise business law in Africa in order to guarantee legal and judicial security for investors and companies in its member states, as well as a Uniform Act on Arbitration Law, allowing recourse to a standard arbitration mechanism for the settlement of contractual disputes arising from civil or commercial contracts concluded in the RoC as an alternative to RoC courts for legal proceedings relating to contracts.

Under Congolese law, parties may enter into private contracts in the language of their choice, however, a French translation is always required for them to be used before any constituted authority in the RoC. In addition, enforcement of contracts concluded outside of Congo before an RoC court, administrations and other constituted authorities, requires their prior registration with the Office for Registration and Stamp Duties and, in the absence of a specific exemption, payment of the applicable registration fees and stamp duties.

Certain contracts concluded in the RoC (such as leases) must also be presented for registration with the Office for Registration and Stamp Duties, due to their nature and listing in the General Tax Code, Volume 2. Moreover, certain contracts (such as commercial leases) must also be notarised or authenticated by a notary if concluded as private deeds, prior being registered as described above.

If any of these processes are not strictly followed, the RoC courts and administrations may disregard the concerned contract and, as regards the requirement to register certain contracts with the Office for Registration and Stamp Duties, the tax administration may apply fines of 100 per cent. of the amount of registration fees due. Further, the tax administration tends to disregard any payment conventional exemption for the purpose of applying these fines.

If any of the Group's contracts are deemed unenforceable, this could have a material adverse effect on the operations and financial results of the Group.

COVID Outbreak

The current outbreak of COVID has had an impact on the Group's businesses and operations and will continue to do so. The timescale attached to this risk is not currently known. There is a risk that the outbreak, and subsequent waves of infections in different countries, has a material adverse impact on the Group's operations and financial results.

Directives are issued and measures implemented, from time to time, by the South African and RoC Governments to contain the spread of COVID involving lockdowns, curfews, quarantine requirements and travel restrictions ("Directives"). Kropz continuously monitors the situation closely, both in South Africa and the RoC, and codes of practice are in place to deal with outbreaks on site.

Kropz is currently unable to quantify the impact of the Directives going forward, but the Group will continue to progress all its workstreams as previously outlined. The Elandsfontein project timetable is not currently affected.

Commodity pricing

The future profitability and viability of the Group's operations will be dependent upon the market price of phosphate rock to be sold by the Group. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities, the global level of demand from consumers and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. Commodity prices have fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. A significant or sustained downturn in commodity prices would adversely affect the Group's available cash and liquidity and could have a material adverse effect on the business, results of operations and financial condition of the Group in the longer term.

In recent years, global phosphate rock and fertilizer supply growth has out-paced demand. As a result, sharp declines have taken place in both phosphate rock and phosphate fertilizer prices since 2011. A failure of the market price for phosphate rock to recover in line with market expectations could have an adverse impact on the Company's business, financial condition and results of operations. Furthermore, reserve estimates and feasibility studies using significant lower commodity prices could result in material write-downs of the Group's investment in its assets and increased amortisation, reclamation and closure charges.

In addition to adversely affecting the Group's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the Elandsfontein project and the Hinda project are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Environmental regulation and environmental compliance

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental and safety legislation and regulation (e.g. in relation to reclamation, disposal of waste products, pollution and protection of the environment, protection of wildlife and otherwise relating to environmental protection) is frequently changing and is generally becoming more restrictive with a heightened degree of responsibility for companies and their Directors and employees and more stringent enforcement of existing laws and regulations. Future changes could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation.

Breach of any environmental obligations could result in penalties and civil liabilities and/or suspension of operations, any of which could adversely affect the Group. Further, approval may be required for any material plant modifications or additional land clearing and for ground disturbing activities. Delays in obtaining such approvals could result in the delay to anticipated exploration programmes or mining activities.

There may also be unforeseen environmental liabilities resulting from mining activities, which may be costly to remedy. If the Group is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Group. The Group has not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) as it is not generally available at a price which the Group regards as reasonable.

In South Africa, the Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations 2015 (R1147 of 20 Nov 2015) provides that the holder of a mining right must provide for rehabilitation and remediation costs, with particular reference to when the mine is decommissioned at the end of mining, or production operations. It is expected that mining operations at Elandsfontein will cease in year 2030. The under-provision of such a rehabilitation liability could result in future liabilities being payable, which could have a material adverse impact on the financial condition of the Group.

Government regulation and political risk

The Group's operating activities are subject to laws and regulations governing expropriation of property, health and worker safety, employment standards, waste disposal, protection of the environment, mine development, land and water use, prospecting, mineral production, exports, taxes, labour standards, occupational health standards, toxic wastes, the protection of endangered and protected species and other matters. While the Directors believe that the Group is in substantial compliance with all material current laws and regulations affecting its activities, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits and agreements applicable to the Group or its properties, which could have a material adverse impact on the Group's current operations or planned development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and the Group cannot assure whether any necessary permits will be obtainable on acceptable terms, in a timely manner or at all.

The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Group from proceeding with any future exploration or development of its properties. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

The Group has operations located in South Africa and the RoC and the Group's activities may be affected in varying degrees by political stability and governmental regulations. Any changes in regulations or shifts in political attitudes in South Africa and the RoC are beyond the control of the Group and may adversely affect its operations.

Adverse sovereign action

The Group is exposed to the risk of adverse sovereign action by the governments of South Africa, RoC and other governments. The mining industry is important to the economies of these countries and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, mining companies have faced the risks of expropriation and/or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

Governance

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

More information on our corporate governance can be found in the Corporate Governance Report on pages 41 to 53.

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 reporting requirement is made in accordance with the 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 and vendor partners. The Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining 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 37 of the Directors' Report. The Company owns 74 per cent. of Kropz Elandsfontein, the owner of the Elandsfontein project in South Africa. 26 per cent. is owned by ARC. The Company owns 70 per cent. of	Access to capital is of vital importance to the long-term success of the business to enable the development 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 shareholders by producing phosphate rock concentrate and therefore a return on the investment. Through selected engagement activities, the Company strives	The key mechanisms of engagement included: **Substantial shareholders** • Both ARC and Kropz International have appointed Directors to the board of Kropz; and • The other existing substantial shareholders have regular meetings and interactions with the Chairman and/or CEO. **Investment and equity partners**	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 37. The CEO presented at a number of investor roadshows and one on one meetings. During 2020, the Company completed the Original Equity Facility for US$ 40 million with ARC and a

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 may require further funding to complete the construction of Elandsfontein and Cominco Resources requires further funding to develop Hinda. As such, existing equity investors and potential investment partners are important stakeholders.	to obtain investor buy-in into its strategic objectives detailed on page 11 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. During the course of 2020, the percentage of shares held in public hands decreased and the overall daily volume of shares traded increased.	• ARC have representatives on the Kropz Elandsfontein and ELH boards of Directors in terms of the respective shareholder's agreements; and • Regular board meetings are held. **Prospective and existing investors** • The AGM and Annual and Interim Reports; • Investor roadshows and presentations; • One on one investor meetings with the Chairman and/or CEO; • Access to the Company's broker and advisers; • Regular news and project updates; and • Social media accounts e.g. Twitter @Kropzplc; • Site visits for potential cornerstone investors.	US$ 2m further direct investment in the Company. Post 31 December 2020, the Company completed the Further Equity Facility for US$ 5 million with ARC. In terms of the additional facilities and capital injection, ARC will potentially acquire a total further 34 per cent. interest in the Company, eventually taking its 49 per cent. interest at December 2020 to over 84 per cent.. At the Company's AGM in 2020 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.
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	• One on one meetings with the CEO and/or COO; • Regular reporting on project progress; • Ad hoc discussions with management, as required; and • 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. In May 2020, the amended facility agreement was signed between Kropz Elandsfontein and

	providers is required to achieve the construction of Hinda.		BNP, thereby restructuring the first principal debt repayment to 31 December 2022.
Employees The Company has 12 South African, 5 UK and 5 RoC employees, including its Directors. Two of the Directors are UK residents, 1 Monegasque, 1 American and 2 are South African resident Directors. The CEO during the year under review was South Africa-based. The CEO allocates 35 per cent. of his time to matters relating to the Company in the UK.	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. 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.	**General employees** • The Company maintains an open line of communication between its employees, senior management and the Board. **UK employees** • The CEO reports 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; and • 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, project updates, etc; and • Staff safety committees continue to operate. **Congo employees** • Senior management regularly visit the operations in RoC	**UK Employees** The Board met with management to discuss the long-term remuneration strategy. Advisors were appointed to do the independent party 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 2020.

		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 Q4 2021. 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 of the RoC government in order to progress the development of Hinda.	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 was required at Elandsfontein. In addition, the Company has received or is in the process of obtaining the required permits to explore and 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 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	• 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	The Company has ongoing engagements with the local community as part 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

	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 sustainable growth, minimising adverse impacts. The Company will engage these stakeholders as is appropriate.	actively engaging with local government and communities directly impacted by the Hinda project; and • The Company has existing Corporate Social Responsibility policies and management structure at corporate level. The Company will expand on these policies and structures at a local project level as the Company moves into construction and then production.	programme commenced in 2020. In addition to the community project described previously, Elandsfontein provided food relief to the Hopefield community during the COVID pandemic.
Suppliers During the Elandsfontein 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, the high performance targets can be met.	• Management continue to work closely with appointed contractors, consultants and suppliers to finalise their contracts and end deliverables; and • One on one meetings between management and suppliers; • Vendor site visits and facility audits to ensure supplier is able to meet requirements; • Contact with procurement department and accounts payable; and • Assist local suppliers to address liquidity challenges.	See page 5 of the strategic report for latest on progress on test work and construction. See page 8 of the strategic report for an update on the potential transport and logistics uncertainties facing the Group. Smaller local vendors were engaged at a broader level to better align with company objectives.

Section 2: Principal decisions by the Board

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 outcome 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.

During the financial year ending 31 December 2020

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 Original Equity Facility was approved by Kropz's shareholders at a general meeting on 29 May 2020. Quarterly draw downs under the Original Equity Facility are at the sole discretion of Kropz. The first draw down on the Original Equity Facility occurred on 26 June 2020 for US$ 10 million, and two further drawdowns for US$ 4 million and US$ 5 million in terms of the Original Equity Facility were concluded on 25 September 2020 and 10 December 2020, respectively. Repayment of the Original Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 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 Original 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.

At the date of this Annual Report and since year end, further draw downs of US$ 7 million and US$ 11 million were made on 10 March 2021 and 23 June 2021, respectively. US$ 3 million remains to be drawn down in 2021.

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

Existing shareholders may have conflicting interests with the Original 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 Original Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Original 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 Original Equity Facility was fair and reasonable and the transaction was approved by the independent Directors and announced on RNS on 13 May 2020.

Post 31 December 2020

Convertible loan facility for $5 million from ARC, entered into on 15 February 2021

Kropz secured a further convertible loan facility of up to US$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly draw downs under the Equity Facility are at the sole discretion of Kropz. The first draw down of US$ 2 million on the Further Equity Facility occurred on 10 March 2021 and the second draw down of US$ 2 million occurred on 23 June 2021. No specific shareholder approval was required for the Further Equity Facility as the Company received the necessary authority at the AGM in August 2020 to allot shares for cash, without first offering them to existing shareholders in proportion to their existing shareholdings, of approximately 20 per cent. of the Company's issued share capital at that time, representing 88,792,180 new ordinary shares. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

The next drawdown is anticipated on 10 September 2021, and quarterly thereafter until the facility is fully drawn down in 2021/2022. Repayment of the Further Equity Facility and any interest thereon will be in the form of immediate conversion into ordinary shares in Kropz and issued to ARC, at a conversion price of 4.202 pence per ordinary share each quarter, and any US$ amount will be converted to GBP at an agreed rate of US$ 1 = 0.73 GBP.

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

Existing shareholders may have conflicting interests with the Further 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 secure funding for the Hinda Update FS and for general working capital for the Group. Various funding alternatives had been investigated by the Directors, in conjunction with its brokers and advisers, over the last year, 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 the Hinda Updated FS and Kropz's working capital requirements.

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$ 5 million Further Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, considered the transaction to be fair and reasonable.

As a result of the Further Equity Facility, ARC would increase its interest in the Company by a further approximate 4 per cent., taking its eventual interest in the Company to approximately 84 per cent.

The conclusion was that the Further Equity Facility was fair and reasonable and the transaction was approved by the independent Directors and announced on RNS on 26 February 2021.

At the date of this Annual Report and since year end, further draw downs of US$ 2 million each were made on 10 March 2021 and 23 June 2021, respectively. US$ 1 million remains to be drawn down in 2021 / 2022.

Proposed divestment by the Company of its equity interest in Aflao, Ghana, entered into on 16 February 2021:

During 2020, 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. During February 2021, Kropz disposed of its interest in FGE to Consortium Minerals Ltd ("Consortium"), for a consideration of US$ 327,529, made up as follows:

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

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

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

Consortium is a subsidiary of Russell Brooks Ltd, who is a minority shareholder in FGE, with a 15 per cent. shareholding prior to the acquisition from Kropz.

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
Chief Executive Officer
29 June 2021

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	31 December 2020 US$'000	31 December 2019 US$'000
Non-current assets			
Property, plant, equipment and mine development	4	**114,473**	105,224
Exploration assets	5	**44,348**	40,192
Right-of-use asset	6	**45**	37
Other financial assets	7	**1,477**	1,534
		160,343	146,987
Current assets			
Inventories	8	**821**	875
Trade and other receivables	9	**1,611**	329
Derivative asset	10	**8,586**	-
Restricted cash	11	**7,355**	-
Cash and cash equivalents	12	**11,572**	15,530
		29,945	16,734
TOTAL ASSETS		**190,288**	**163,721**
Current liabilities			
Trade and other payables	19	**4,780**	1,536
Lease liabilities	16	**42**	19
Other financial liabilities	17	**2,500**	29,982
Current taxation	27	**-**	174
Other tax liabilities	20	**-**	451
		7,322	32,162
Non-current liabilities			
Shareholder loans	15	**15,703**	14,701
Lease liabilities	16	**6**	21
Other financial liabilities	17	**28,113**	-

Provisions	18	**4,311**	3,702
		48,133	18,424
TOTAL LIABILITIES		**55,455**	**50,586**
NET ASSETS		**134,833**	**113,135**

	Notes	**31 December 2020 US$'000**	**31 December 2019 US$'000**
Shareholders' equity			
Share capital	13	**706**	363
Share premium	13 / 14	**168,212**	147,339
Merger reserve	13 / 14	**(20,523)**	(20,523)
Foreign exchange translation reserve	14	**2,334**	53
Share-based payment reserve	14	**385**	167
Accumulated losses		**(11,005)**	(12,536)
Total equity attributable to the owners of the Company		**140,109**	114,863
Non-controlling interests	34	**(5,276)**	(1,728)
		134,833	**113,135**

The Notes form an integral part of these Consolidated Financial Statements. The Financial Statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Mark Summers
Chief Executive Officer
29 June 2021

	Notes	**Year ended 31 December 2020 US$'000**	**Year ended 31 December 2019 US$'000**
Revenue		**-**	-
Other income		**29**	9
Operating expenses	24	**(5,912)**	(6,631)
Operating loss		**(5,883)**	**(6,622)**
Finance income	23	**1,244**	1,638
Finance expense	26	**(5,914)**	(3,662)
Fair value gains from derivative asset	10	**8,586**	-
Loss before taxation		**(1,967)**	**(8,646)**
Taxation	27	**36**	(118)
Loss after taxation		**(1,931)**	**(8,764)**
Profit / (loss) attributable to:			
Owners of the Company		**1,531**	(6,290)
Non-controlling interests		**(3,462)**	(2,474)
		(1,931)	**(8,764)**

	Note		
Loss for the year		**(1,931)**	(8,764)
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		**1,922**	3,226
• Exchange differences on translating foreign operations		**273**	(1,914)
Total comprehensive income / (loss)		**264**	**(7,452)**
Attributable to:			
Owners of the Company		**3,812**	(5,011)
Non-controlling interests		**(3,548)**	(2,441)
		264	**(7,452)**
Profit / (loss) per share attributable to owners of the Company:			
Basic and diluted (US cents)	28	**0.40**	(2.30)

	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 1 January 2019	**335**	**142,026**	**(20,523)**	**(1,226)**	**-**	**(6,225)**	**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
Costs 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	**28**	**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**
Total comprehensive profit / (loss) for the year	-	-	-	2,281	-	1,531	3,812	(3,548)	264
Issue of shares	343	21,173	-	-	-	-	21,516	-	21,516
Cost of issuing shares	-	(320)	-	-	-	-	(320)	-	(320)
Issue of warrants	-	(10)	-	-	10	-	-	-	-
Lapsed warrants	-	30	-	-	(30)	-	-	-	-
Share based payment charges	-	-	-	-	238	-	238	-	238
Transactions with owners	**343**	**20,873**	**-**	**-**	**218**	**-**	**21,434**	**-**	**21,434**
Balance at 31 December 2020	**706**	**168,212**	**(20,523)**	**2,334**	**385**	**(11,005)**	**140,109**	**(5,276)**	**134,833**

	Notes	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Cash flows from operating activities			
Loss before taxation		**(1,967)**	(8,646)
Adjustments for:			
Depreciation of property, plant and equipment	4	**780**	894
Amortisation of right-of-use assets	6	**51**	18
Share-based payment charge	13	**238**	137
Finance income	23	**(1,244)**	(1,638)
Finance costs	26	**2,948**	3,662
Fair value gain on derivative asset	10	**(8,586)**	-
Debt modification loss	17	**1,109**	-
Debt modification present value adjustment	18	**(119)**	-
Foreign currency exchange differences		**261**	38
Fair value loss on game animals	4	**18**	43
Operating cash flows before working capital changes		**(6,511)**	(5,492)
(Increase) / decrease in trade and other receivables	29	**(1,278)**	66
Decrease / (increase) in inventories	29	**17**	(6)
Increase / (decrease) in trade and other payables	29	**3,356**	(9,771)
(Decrease) / increase in other tax liabilities		**(388)**	451
Decrease in amounts due to related parties		**-**	33
Increase / (decrease) in provisions	29	**765**	(324)
		(4,039)	(15,043)
Income taxes paid		**(128)**	(15)
Net cash flows used in operating activities		**(4,167)**	**(15,058)**
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	**(14,589)**	(1,895)
Exploration and evaluation expenditure	5	**(257)**	(289)
Disposal of other financial assets	7	**-**	124
Finance income received	21	**1,244**	1,638
Transfer to restricted cash	11	**(7,355)**	-
Net cash flows used in investing activities		**(20,957)**	**(422)**
Cash flows from financing activities			
Finance costs paid	24	**(2,948)**	(3,662)
Shareholder loan received / (repaid)	27	**1,624**	(32)
Repayment of lease liabilities	16	**(53)**	(16)
Other financial liabilities	29	**1,935**	(814)
Issue of ordinary share capital	13	**21,516**	4,243
Costs of share issues	13	**(320)**	(31)
Net cash flows from financing activities		**21,754**	**(312)**
Net (decrease) in cash and cash equivalents		**(3,370)**	**(15,792)**
Cash and cash equivalents at beginning of the year		**15,530**	30,457
Foreign currency exchange (losses) / gains on cash		**(588)**	865
Cash and cash equivalents at end of the year		**11,572**	**15,530**

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(1) General information

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

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

The Company entered into a number of agreements during 2018 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 2020, the Group incurred a loss of US$ 2 million (2019: US$ 9 million) and experienced net cash outflows from operating activities of US$ 4 million (2019: US$ 15 million). Cash and cash equivalents totalled US$ 12 million as at 31 December 2020 (2019: US$ 16 million) and US$7 million (2019: US$ Nil) was restricted in terms of the amended facility agreement between Kropz Elandsfontein and BNP. The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

In May 2020, Kropz entered into a convertible loan facility of up to US$ 40 million (not exceeding a maximum of ZAR 680 million) with ARC, the Company's major shareholder. This Original Equity Facility was expected to bring the Company's Elandsfontein project into production in Q4 2021. The Original Equity Facility is ringfenced in Kropz Elandsfontein and the Kropz group does not have access to the remaining US$ 3 million of the Original Equity Facility. ZAR 77 million is currently locked up by BNP Paribas in the accounts of Kropz Elandsfontein in terms of the BNP Paribas amended facility agreement. The ZAR 77 million ringfenced by BNP will be released pro rata to the drawdowns in terms of the Original Equity Facility. Existing cash holdings, plus the remainder of the undrawn Original Equity Facility of US$ 3 million and the ZAR 77 million to be released by BNP Paribas, will be utilised towards funding the construction and completion of Elandsfontein in Q4 2021.

During 2020, ZAR 92 million of the ZAR 200 million ringfenced by BNP was 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 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.

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

The COVID pandemic 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 outbreak. The timing and extent of the impact and recovery from COVID is unknown but it may affect planned activities and potentially display a post balance sheet date impact.

The Directors have reviewed the Group's overall cash position and outlook, for a period of at least the next twelve months following the date of signature of this Annual Report and have considered sensitivities and stress tested various scenarios, in respect of the matters identified above and are of the opinion that it is appropriate to adopt the going concern of accounting in preparing these financial statements. Certain key contracts associated with operational readiness and commencement of production activities at Elandsfontein are yet to be finalised. Current estimates are based on ongoing negotiations and proposals received from third party contractors. Failure to enter into contracts, based on these negotiated terms and expected timeframes, could negatively impact commissioning and create an additional funding requirement. Additionally, at the date of these financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause cost overruns that would require additional funding through the raising of debt or equity. As announced on RNS on 25 May 2021, there is a funding shortfall in respect of the Original Equity Facility for the commissioning of Elandsfontein in Q4 2021, due to the strengthening of the ZAR against the US$ and further funds would be required. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee that adequate funds will be available when needed in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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 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.

Changes in accounting policies

(i) New standards, interpretations and amendments adopted from 1 January 2020

New standards impacting the Group that have been adopted in the annual financial statements
for the year ended 31 December 2020 are:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 9: IAS 39 and IFRS 7 Interest Rate Benchmark Reform;
- Amendments to IFRS 16: COVID-19-Related Rent Concessions; and
- Amendments to IAS 1 and IAS 8 Disclosure Initiative – Definition of Material.

The Group has considered the above new standards and amendments and has concluded that,
they are either not relevant to the Group or they do not have a significant impact on the Group's
consolidated financial statements.

(ii) New standards, interpretations and amendments not yet effective

At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU). Management are currently assessing the impact of these new standards on the Group.

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use; and
- Amendments to IFRS 3 References to Conceptual Framework.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the subsidiaries listed in Note 3.

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.

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.

Borrowings are capitalised for assets under construction meeting the eligibility requirements.

Depreciation

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

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

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

Useful lives and residual values

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

Stripping activity asset

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

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

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

(d) Mineral exploration and evaluation costs

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

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

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

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

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

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

(e) 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. 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 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, rarely, 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 and held within the approximately 5,000 hectares of farmland owned by Elandsfontein Land Holdings. 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 instruments into the following categories:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through or loss;
- Financial liabilities measured at amortised cost; and
- Derivative financial instruments are accounted for at fair value through profit and loss.

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.

Financial assets held at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Assets in this category are classified as current assets if they are expected to be settled within twelve months, otherwise they are classified as non-current.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Put options in the Company's own equity are recorded at fair value and change in fair value recorded through 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 percent, 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 non-financial 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 property, plant and equipment.

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 timing of costs and the risk-free rate, 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 was accounted for on the basis of the Company having control with effect from acquisition and holding 50 per cent. plus one share. Management considered that it controlled First Gear as this holding gave the Company control over its strategic, operational and financing decisions.

(ii) Exploration and evaluation assets (Note 5)

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 (Note 18)

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 7 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.

(vii) Fair value of financial instruments

The judgements and estimates made by the Group in determining the fair values of the financial instruments are described in Note 10 to the Consolidated Financial Statements.

(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 determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the

Group’s weighted average cost of capital, future prices of phosphate rock, 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.

Fair value of derivative instruments

Information about the specific techniques, assumptions and inputs is disclosed in Note 10 to the Consolidated Financial Statements.

(3) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2020, 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
*** Interest sold in early 2021
**** held indirectly

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

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

	31 Dec 2020 Cost US$'000	31 Dec 2020 Accumulated Depreciation US$'000	31 Dec 2020 Carrying value US$'000	31 Dec 2019 Cost US$'000	31 Dec 2019 Accumulated Depreciation US$'000	31 Dec 2019 Carrying value US$'000
Buildings and infrastructure						
Land	**2,067**	**-**	**2,067**	2,159	-	2,159
Buildings	**11,003**	**(12)**	**10,991**	11,489	(9)	11,480
Capitalised road costs	**8,824**	**(2,647)**	**6,177**	9,214	(2,150)	7,064
Capitalised electrical sub-station costs	**3,828**	**(1,063)**	**2,765**	3,998	(844)	3,154
Machinery, plant and equipment						
Critical spare parts	**1,285**	**-**	**1,285**	1,213	-	1,213
Plant and machinery	**66,683**	**(74)**	**66,609**	56,357	(73)	56,284
Water treatment plant	**1,129**	**-**	**1,129**	-	-	-
Furniture and fittings	**44**	**(41)**	**3**	45	(42)	3
Geological equipment	**47**	**(47)**	**-**	49	(49)	-
Office equipment	**35**	**(17)**	**18**	36	(12)	24
Other fixed assets	**1**	**(1)**	**-**	1	(1)	-
Motor vehicles	**128**	**(128)**	**-**	133	(127)	6
Computer equipment	**47**	**(42)**	**5**	44	(39)	5
Mine development	**20,046**	**-**	**20,046**	20,354	-	20,354
Stripping activity costs	**3,193**	**-**	**3,193**	3,265	-	3,265
Game animals	**185**	**-**	**185**	213	-	213
Total	**118,545**	**(4,072)**	**114,473**	**108,570**	**(3,346)**	**105,224**

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

	Opening Balance US$'000	Additions US$'000	Fair value loss US$'000	Depreciation charge US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Buildings and infrastructure						
Land	**2,159**	**-**	**-**	**-**	**(92)**	**2,067**
Buildings	**11,480**	**-**	**-**	**(2)**	**(487)**	**10,991**
Capitalised road costs	**7,064**	**-**	**-**	**(529)**	**(358)**	**6,177**
Capitalised electrical sub-station costs	**3,154**	**-**	**-**	**(230)**	**(159)**	**2,765**
Machinery, plant and equipment						
Critical spare parts	**1,213**	**123**	**-**	**-**	**(51)**	**1,285**
Plant and machinery	**56,284**	**12,712**	**-**	**(5)**	**(2,382)**	**66,609**
Water treatment plant	**-**	**1,129**	**-**	**-**	**-**	**1,129**
Furniture and fittings	**3**	**1**	**-**	**(1)**	**-**	**3**
Geological equipment	**-**	**-**	**-**	**-**	**-**	**-**

Office equipment	**24**	**1**	**-**	**(5)**	**(2)**	**18**
Other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**
Motor vehicles	**6**	**-**	**-**	**(5)**	**(1)**	**-**
Computer equipment	**5**	**4**	**-**	**(3)**	**(1)**	**5**
Mine development	**20,354**	**553**	**-**	**-**	**(861)**	**20,046**
Stripping activity costs	**3,265**	**66**	**-**	**-**	**(138)**	**3,193**
Game animals	**213**	**-**	**(18)**	**-**	**(10)**	**185**
Total	**105,224**	**14,589**	**(18)**	**(780)**	**(4,542)**	**114,473**

Reconciliation of property, plant, equipment and mine development – Period 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 and equipment						
Critical spare parts	1,185	-	-	-	28	**1,213**
Plant and machinery	54,262	713	-	(5)	1,314	**56,284**
Furniture and 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**

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 development. 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:

- Discount rate;
- Phosphate rock prices;
- Phosphate recoveries; and
- Operating costs.

Economical 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 obtained from independent external commissioned experts and a forecast South African rand exchange rate with is aligned with forward market rates. Commissioning of the Elandsfontein project remains dependent on the finalisation of certain key contracts, on mutually acceptable terms, with third party contractors. Current estimates and forecasts are based on ongoing negotiations and proposals received from those third party contractors. Based on the assumptions the recoverable amount of assets significantly exceeds its carry amount and therefore assets were not impaired.

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

		Headroom (%)
Impact if discount rate	Breakeven point at 13.77%	**0**
	Increased by 5%	**13**
Impact if selling prices	increased by 10%	**107**
	reduced by 10%	**(0.3)**
Impact if production tonnes	increased by 10%	**109**
	reduced by 10%	**(0.3)**
Impact if operating costs:	increased by 10%	**(18)**
	reduced by 10%	**89**

(5) Intangible assets - Exploration and evaluation costs

	31 Dec 2020 Cost US$'000	**31 Dec 2020 Amort-isation US$'000**	**31 Dec 2020 Carrying value US$'000**	**31 Dec 2019 Cost US$'000**	**31 Dec 2019 Amort-isation US$'000**	**31 Dec 2019 Carrying value US$'000**
Capitalised costs	**44,348**	**-**	**44,348**	40,192	-	40,192

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 gain US$'000	Closing balance US$'000
Year ended 31 December 2020				
Capitalised exploration costs	**40,192**	**257**	**3,899**	**44,348**

	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**

(6) Right-of-use assets

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Cost		
Brought forward	**55**	-
Capitalisation due to transition to IFRS 16	**-**	54
Additions	**61**	-
Foreign exchange differences	**1**	1
As at 31 December	**117**	**55**
Amortisation		
Brought forward	**18**	-
Charge for the year	**51**	18
Foreign exchange differences	**3**	-
As at 31 December	**72**	**18**
Net book value	**45**	**37**

(7) Other financial assets

	31 December 2020 US$'000	31 December 2019 US$'000
DMR guarantee (1)	**687**	712
Eskom guarantee (2)	**359**	373
Eskom guarantee (3)	**363**	378
Heritage Western Cape Trust (4)	**68**	71
Total	**1,477**	**1,534**

(1) 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".

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

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

(4) 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 Kropz Elandsfontein lodged 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 approximate their fair value.

(8) Inventories

	31 December 2020 US$'000	31 December 2019 US$'000
Consumables	**798**	851
Spare parts	**23**	24
Total	**821**	**875**

(9) Trade and other receivables

	31 December 2020 US$'000	31 December 2019 US$'000
Prepayments and accrued income	**124**	62
Deposits	**47**	49
VAT	**1,326**	71
Other receivables	**114**	147
Total	**1,611**	**329**

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

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

Trade and other receivables past due but not impaired
None of the trade and other receivables were past due at the end of the reporting dates.

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

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

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

(10) Derivative asset

	31 December 2020 US$'000	31 December 2019 US$'000
Convertible loan facility	**8,586**	**-**

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

The convertible loan facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a drawdown. At 31 December 2020, US$ 21 million of the facility remained undrawn which equates to 267,555,556 new ordinary shares to be issued in the Company pursuant to the terms of the agreement. A Monte-Carlo simulation was applied to simulate the expected share price at a 60% volatility and the expected share price was deemed to be 4.37 pence per share.

(11) Restricted cash

	31 December 2020 US$'000	31 December 2019 US$'000
Short-term deposits	**7,355**	-

In May 2020, Kropz Elandsfontein and BNP agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP facility amendment agreement extends *inter alia* the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5 per cent. plus US LIBOR, up to project completion and 4.5 per cent. plus US LIBOR thereafter. In addition, the amended BNP facility agreement locked up ZAR 200 million of cash held in the bank account of Kropz Elandsfontein at that time, to be released by BNP to Kropz Elandsfontein pro rata drawdowns from ARC in terms of the Original Equity Facility. The locked up funds would be released by BNP in the ratio of 1:3, representing a drawdown of ZAR1 for every ZAR3 drawn down from ARC in terms of the Original Equity Facility. At 31 December 2020, ZAR 108 million remained locked up and invested with BNP as short-term deposits.

Fair value of short-term deposits
Due to the short-term nature of restricted cash the carrying amount is deemed to approximate the fair value.

(12) Cash and cash equivalents

	31 December 2020 US$'000	31 December 2019 US$'000
Bank balances	**11,571**	15,528
Cash on hand	**1**	2
Total	**11,572**	**15,530**

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

Each shareholder has the right to one vote per ordinary share in general meeting. Any distributable profit remaining after payment of distributions is available for distribution to the shareholders of the Company in equal amounts per share. Shares were issued as set out below:

	Number of shares	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Total US$'000
At 1 January 2019	**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**
Placing of shares	4,505,060	5	349	-	354
Convertible loan – issue of shares	244,866,271	306	18,694	-	19,000
Open offer – issue of shares	25,849,920	32	2,130	-	2,162
Cost of issuing shares	-	-	(320)	-	(320)
Lapsed warrants	-	-	30	-	30
Issue of warrants	-	-	(10)	-	(10)
At 31 December 2020	**558,627,558**	**706**	**168,212**	**(20,523)**	**148,395**

Issue of shares in the year ended 31 December 2020:

The changes to the issued share capital of the Company which occurred between 1 January 2020 and 31 December 2020 were as follows:

Placing of shares

On 1 June 2020, the Company placed a total of 4,505,060 shares to an existing investor and two Directors (300,000 shares were placed with Lord Robin Renwick and 30,000 with Mark Summers) at a price of 6.75 pence per ordinary share for a total cash consideration of GBP 304,000 (before expenses) (equal to approximately US$ 354,000).

Open offer

Under the terms of an Open Offer, the Company issued a total of 25,849,920 shares on 26 June 2020 at 6.75 pence per ordinary share for a total cash consideration of GBP 1,745,000 (before expenses) (equal to approximately US$ 2,162,000).

ARC subscribed for 25,481,482 Open Offer Shares on the same terms (equal to approximately US$ 2,132,000). Mark Summers subscribed for 50,000 Open Offer shares.

Convertible loan facility

In addition to the Placing and Open Offer, the Group secured a convertible loan facility from ARC, Kropz's major shareholder, in June 2020 for the development of Elandsfontein. Under the terms of the convertible equity facility, ARC committed to provide up to a ZAR equivalent of US$ 40 million (ZAR 680 million) to the Company which will be converted into new ordinary shares. The cap of ZAR 680 million was put in place as ARC secured this facility from Rand Merchant Bank in South Africa in order to fulfil its commitments to the Company. The Company, via Kropz Elandsfontein, receives the ZAR equivalent of the draw down based on the actual exchange rate prevailing at the time of the draw down, subject to a maximum exchange rate of ZAR 17 to the US$. The convertible loan facility will be used exclusively for Kropz Elandsfontein's purposes. Immediately upon draw down, new ordinary shares in the Company are issued to ARC at a fixed share price (6.75 pence per share) and fixed GBP / US$ exchange rate (0.86). Drawdowns are at the sole discretion of the Company and no interest is payable on the drawdown unless equity shares are not issued to ARC in terms of a draw down.

In June 2020, the Company made its first quarterly drawdown request in terms of the convertible loan facility. The first drawdown which was for US$ 10 million was paid by way of issue of 130,199,604 new ordinary shares at the issue price of 6.75 pence per ordinary share to ARC on 26 June 2020.

The second draw down was for US$ 4 million which was paid by way of issue of 50,962,963 new ordinary shares at the issue price of 6.75 pence per ordinary share to ARC on 25 September 2020.

The third drawdown was for US$ 5 million which was paid by way of issue of 63,703,704 new ordinary shares at the issue price of 6.75 pence per ordinary share to the ARC Fund on 10 December 2020.

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 Awards") – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- an executive long-term incentive plan (the "LTIP Awards") – a performance and service-related plan pursuant to which conditional share awards, nominal-cost options and market value options can be granted, (together, the ''Incentive Plans'').

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

ESOP Awards

ESOP Awards were issued at the time of the Admission of the Company's shares to the AIM market of the London Stock Exchange in November 2018.

The ESOP Awards 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.

ESOP Award 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 3,362,609 ESOP options awarded to him lapsed and expired on that date.

LTIP Awards

During 2020, the Company granted conditional share awards over ordinary shares in the Company to key members of the executive management team under its LTIP Awards plan. These LTIP Awards have performance conditions aligned to the implementing the Company's strategic plans, including appropriate weightings on the successful commissioning of the Elandsfontein mine and completion of an updated feasibility study on the Hinda project.

As announced on 4 August 2020, the Company granted LTIP Awards to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities ("PDMRs"), including Mark Summers and Chief Operating Officer ("COO") Michelle Lawrence, under its LTIP Awards.

The LTIP Awards are nil priced options over a total of 6,700,000 ordinary shares. Of this total, 2,350,000 LTIP Awards were granted to each of Mark Summers and Michelle Lawrence and 1,000,000 to Patrick Stevenaert. The LTIP Awards will vest on 31 December 2021, subject to the terms of the LTIP Plan Rules (as set out in the Company's Admission Document), including financial and non-financial performance conditions and, in respect of Mark Summers and Michelle Lawrence, continued employment by the Company.

The value of the options was calculated by using the Black-Scholes model, using the following assumptions.

LTIP Award assumptions at issue date

Share price	GBP 0.085
Exercise price	GBP 0.001
Expected volatility	26%
Expected dividends	0%
Risk-free interest rate	1.1%
Option life	3 years

The charge to profit and loss was US$ 238,000 (31 December 2019: US$ 137,000).

The LTIP Awards are nil priced options over a total of 6,700,000 ordinary shares representing 1.2 per cent. of the Company's issued share capital at 31 December 2020. Following the grant of the LTIP Awards, together with the existing 4,827,746 ESOP Awards, the ESOP Awards and LTIP Awards represent 2.1 per cent. of the Company's issued share capital at 31 December 2020.

Equity warrants

As part of the equity facility and fundraising, on 4 August 2020 the Company granted 121,837 warrants over the ordinary shares of 0.1 pence each in the Company, exercisable at 6.75 pence per Ordinary Share for a period of two years from issue.

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 in respect of warrants issued during the year was US$ 10,000 (31 December 2019: US$ 30,000). An amount totalling US$ 30,000 has been credited to share premium in respect of warrants that lapsed during the year (31 December 2019: US$ nil).

No equity warrants have been exercised and 1,200,000 warrants were forfeited during the year. Accordingly, 121,837 equity warrants remained in place at 31 December 2020 (31 December 2019: 1,200,000 equity warrants).

(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. An addition to the reserve of US$ 2,281,000 (2019: US$ 1,279,000) was recorded due to changes in the foreign currencies used to translate assets, liabilities and equity at consolidation.

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 2020 US$'000	**31 December 2019 US$'000**
ARC	**15,703**	14,701

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

Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

(16) Finance lease liabilities

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
In respect of right-of-use assets		
Balance brought forward	**40**	-
Additions during the year	**60**	54
Repayments during the year	**(53)**	(15)
Foreign exchange differences	**1**	1
Lease liabilities at end of year	**48**	**40**

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Maturity		
Current	**42**	19
Non-current	**6**	21
Total lease liabilities	**48**	**40**

(17) Other financial liabilities

	31 December 2020 US$'000	31 December 2019 US$'000
BNP	**30,118**	29,537
Greenheart Foundation	**495**	445
Total	**30,613**	**29,982**
Non-current financial liabilities	**28,113**	-
Current financial liabilities	**2,500**	29,982
Total	**30,613**	**29,982**

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. The waiver and restructured facility were only contingent on the admission of Kropz plc's shares to trading on AIM by 30 November 2018, which did occur on that date. The facility has been fully drawn down.

During January 2020, given the delays in the recommissioning 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. In addition, the amended BNP facility agreement locked up ZAR 200 million of cash held in the bank account of Kropz Elandsfontein at that time, to be released by BNP to Kropz Elandsfontein pro rata drawdowns from ARC in terms of the Original Equity Facility. The locked up funds would be released by BNP in the ratio of 1:3, representing a drawdown of ZAR 1 for every ZAR 3 drawn down from ARC in terms of the Original Equity Facility. Financial closure occurred on 25 June 2020.

In accordance with IFRS 9, the Group has recognised a loss of US$ 1,109,000 in profit and loss arising from the modification of the loan.

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

Fair value of other financial liabilities
The carrying value of the loans approximate their fair value.

(18) Provisions

Reconciliation of provisions – Year ended 31 December 2020

	Opening Balance US$'000	Additions/ Adjustments US$'000	Foreign exchange gains US$'000	Closing balance US$'000
Provision for dismantling costs	**650**	**1,854**	**(27)**	**2,477**
Provisions for rehabilitation	**3,052**	**(1,089)**	**(129)**	**1,834**
Total	**3,702**	**765**	**(156)**	**4,311**

Reconciliation of provisions – Period 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**

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 mine. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. In determining the environmental rehabilitation liability, an inflation rate of 6% was assumed to increase the rehabilitation liability for the next 10 years, and a rate of 8.59% to discount that amount to present value.

(19) Trade and other payables

	31 December 2020 US$'000	31 December 2019 US$'000
Trade payables	**4,471**	932
Other payables	**17**	91
Accruals	**292**	513
Total	**4,780**	**1,536**

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 2020 US$'000	31 December 2019 US$'000
Withholding taxes	**-**	451
Total	**-**	**451**

The withholding tax liabilities relate to the loan from ARC.

(21) Commitments

	31 December 2020 US$'000	31 December 2019 US$'000
Authorised capital commitments	**14,815**	5,698

The committed expenditure relates to plant construction.

(22) Directors' remuneration, interests and transactions

The Director of the Company and the two executives of Kropz Elandsfontein and Cominco Resources are considered to be the Key Management Personnel of the Group. Details of the Directors remuneration, Key Management Personnel remuneration which totalled US$ 1,413,184 (2019: US$ 1,503,485) (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 2020 GBP exchange rate of 0.733 and ZAR exchange rate of ZAR 14.661.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of US$ 295,516 (2019: US$ 388,742).

(23) Finance income

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Foreign currency gains	**109**	855
Interest income received	**1,135**	783
Total	**1,244**	**1,638**

(24) Operating expenses

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Fair value loss on game animals	**18**	43
Amortisation of right of use asset	**51**	18
Depreciation of property, plant and machinery	**780**	894
Employee costs	**1,171**	1,361
Share option cost	**238**	137
Electricity and water – mine operations	**807**	886
Inventory expense	**16**	6
Mining costs	**167**	429
Plant operating costs and recoveries	**833**	884
Professional and other services	**951**	1,043
Auditor's remuneration in respect of audit of the Group and parent	**145**	83
Auditor's remuneration in respect of audit of the Cominco Group	**32**	29
Other expenses	**703**	955
Total	**5,912**	**6,631**

(25) Staff costs

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
The average monthly number of employees was:		
Operations	**9**	8
Finance and administration	**6**	5
Management	**3**	3
	18	**16**

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	**823**	1,112
Social security costs	**109**	111
Share-based payments	**238**	137
Pension costs	**1**	1
	1,171	**1,361**

(26) Finance expense

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Shareholder loans	**611**	768
Foreign exchange losses	**1,857**	-
Bank debt	**2,061**	2,892
BNP – debt modification loss (Note 17)	**1,109**	-
BNP – debt modification present value adjustment	**(119)**	
BNP amendment fee	**104**	
Finance leases	**2**	2
Other	**289**	-
Total	**5,914**	**3,662**

(27) Taxation

Major components of tax charge	Year ended 31 December 2020 US$'000	Period ended 31 December 2019 US$'000
Deferred		
Originating and reversing temporary differences	**-**	-
Current tax		
Local income tax recognised in respect of current year	**-**	34
Local income tax recognised in respect of prior year	**(36)**	84
Total	**(36)**	**118**

Reconciliation of tax charge

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Loss before tax	**(1,967)**	(8,646)
Applicable UK tax rate	**19%**	19%
Tax at applicable tax rate	**(374)**	(1,643)
Adjustments for different tax rates in the Group	**(1,219)**	(981)
Non-taxable gains	**(1,631)**	-
Disallowable expenditure	**648**	146
Prior year tax charge	**(36)**	84
Losses carried forward not recognised	**2,576**	2,512
Tax (credit) / charge	**(36)**	**118**

The movement in tax liabilities is summarised below:

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Balance brought forward	**174**	66
Prior year tax charge	**-**	-
Current year charge	**(36)**	118
Tax paid	**(128)**	(15)
Foreign exchange differences	**(10)**	5
Balance carried forward	**-**	**174**

The Group had losses for tax purposes of approximately US$ 43.8 million as at 31 December 2020 (2019: US$ 37.6 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$ 12.3 million (2019: US$ 10.5 million), after set off of accelerated depreciation allowances in respect of fixed assets of US$ 29.9 million (2019: US$ 27.1 million), arises in respect of these losses. It has not been recognised 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 2020 US$'000	Year ended 31 December 2019 US$'000
Profit / (loss) attributable to ordinary shareholders	**1,531**	(6,290)
Weighted average number of ordinary shares in Kropz plc	**383,896,428**	273,467,747
Basic and diluted earnings / (loss) per share (US$ cents)	**0.40**	(2.30)

Because the Group was in a net loss position in 2019, 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 2020

	Non-cash consideration US$'000	Cash consideration US$'000	Total US$'000
Placing of shares	**-**	**354**	**354**
Equity facility – issue of shares	**-**	**19,000**	**19,000**
Open offer - issue of shares	**-**	**2,162**	**2,162**
Cost of issuing shares	**-**	**(320)**	**(320)**
	-	**21,196**	**21,196**

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 2020

	Opening Balance US$'000	Accrued interest US$'000	New agreements US$'000	Cash movements US$'000	Foreign exchange gain/(loss) US$'000	Closing balance US$'000
Cash and cash equivalents	**15,530**	**-**	**-**	**3,984**	**(587)**	**18,927**
Other financial assets	**1,534**	**-**	**-**	**-**	**(57)**	**1,477**
Shareholder loan payable	**(14,701)**	**(1,624)**	**-**	**-**	**622**	**(15,703)**
Other financial liabilities	**(29,982)**	**(1,935)**	**-**	**-**	**1,304**	**(30,613)**
Finance leases	**(40)**	**-**	**(60)**	**53**	**(1)**	**(48)**
Total	**(27,659)**	**(3,559)**	**(60)**	**4,037**	**1,281**	**(25,960)**

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)**

Reconciliation of working capital items:

Year ended 31 December 2020

	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	**329**	**1,278**	**-**	**4**	**1,611**
Inventories	**875**	**(17)**	**-**	**(37)**	**821**
Trade and other payables	**(1,536)**	**(3,356)**	**-**	**112**	**4,780**
Provisions	**(3,702)**	**(304)**	**-**	**156**	**(3,850)**

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.

In addition to share issues to related parties set out in Note 13 to the Consolidated Financial Statements, the following transactions were carried out with related parties:

Related party balances
Loan accounts – owed to related parties

	31 December 2020 US$'000	31 December 2019 US$'000
ARC	**(15,703)**	(14,701)
Total	**(15,703)**	**(14,701)**

Related party balances
Interest paid to related parties

	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
ARC	**611**	768
Total	**611**	**768**

Convertible loan facility

As described in Note 13, the Company made drawdowns totalling US$ 19 million under its convertible loan facility from ARC.

(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 2020 US$'000	31 December 2019 US$'000
Financial assets at amortised cost		
Trade and other receivables	**1,611**	329
Other financial assets	**1,477**	1,534
Derivative asset	**8,586**	-
Restricted cash	**7,355**	-
Cash and cash equivalents	**11,572**	15,532
Total	**30,601**	**17,395**

Recognised fair value measurements
The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the notes to the Consolidated Statement of Financial Position.

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

(i) Financial instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. At the reporting date, the Group had a convertible facility with ARC. The US$ amount of the facility is convertible into ordinary shares of the parent entity (Note 13).

(ii) Fair value hierarchy

The fair value hierarchy consists of the following levels

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

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
2020				
Derivative asset	**-**	**-**	**8,586**	**8,586**
2019				
Derivative asset	-	-	-	-

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of the reporting period.

Level 1: the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximises the use of observable data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument is observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The fair value of the convertible loan not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable imports (such as share price and terms and conditions of the convertible loan) and released of the initial calibration adjustment to the profit and loss.

(iii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Use of the quoted market price or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and

- The fair value of the remaining financial instruments as determined using discounted cash flow analysis.

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

	31 December 2020 US$'000	31 December 2019 US$'000
Financial liabilities at amortised cost		
Shareholder loans payable	**15,703**	14,701
Trade and other payables	**4,780**	1,536
Finance leases	**48**	40
Other financial liabilities	**30,613**	29,982
Total	**51,144**	**46,259**

(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, 16 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 2020				
Shareholder loans payable	**-**	**-**	**-**	**15,703**
Trade and other payables	**4,780**	**-**	**-**	**-**
Finance leases	**42**	**6**	**-**	**-**

Other financial liabilities	**2,500**	**5,155**	**27,479**	**-**
Total	**7,322**	**5,161**	**27,479**	**15,703**

	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**

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

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

Interest rate risk:
As the Group has significant interest-bearing assets, the Group's income and operating cash flows are substantially dependent on changes in market interest rates. At 31 December 2020, if interest rates on the shareholder and BNP loans (denominated in US$) had been 1 per cent higher/lower with all other variables held constant, post-tax losses and equity for the year would have been approximately US$ 450,000 (2019: US$ 440,000) 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 South African 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 2020	**South African Rand US$'000**	**British Pound US$'000**	**Total US$'000**
Financial assets denominated in US$	**-**	**971**	**971**
Financial liabilities denominated in US$	**(44,238)**	**-**	**(44,238)**

Net foreign currency exposure	**(44,238)**	**971**	**(43,267)**

	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)**

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 2020 Increase/ (Decrease) US$'000	**As at 31 December 2019 Increase/ (Decrease) US$'000**
Effects on net assets		
Rand:		
- strengthened by 10 per cent.	**(4,424)**	(4,469)
- weakened by 10 per cent.	**4,424**	4,469
Effects on net assets		
GBP:		
- strengthened by 10 per cent.	**97**	125
- weakened by 10 per cent.	**(97)**	(125)

(33) Segment information

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

Geographical segments
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 two principal geographical areas – South Africa and the RoC.

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

	South Africa US$'000	Congo US$'000	Group US$'000
As at 31 December 2020			
Total non-current assets	**116,027**	**44,316**	**160,343**

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

(34) Non-controlling interests

	31 December 2020 US$'000	31 December 2019 US$'000
As at beginning of year	**(1,728)**	1,138
Share of losses for the year	**(3,462)**	(2,474)
Share of other comprehensive income	**(86)**	33
Purchase of non-controlling interests in subsidiaries	**-**	(425)
As at end of the year	**(5,276)**	**(1,728)**
Non-controlling interests in cash flows	**(4,093)**	**(4,403)**

(35) Material subsequent events

EMPr
On 1 July 2020, the DMRE issued a directive to Kropz Elandsfontein to submit an updated EMPr, in line with the requirements of the National Environmental Management Act. The updated EMPr was submitted to the DMRE in the first week of September 2020.

On 26 March 2021, management received the updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

Offsets
In July 2020, Kropz Elandsfontein submitted a revised Offset Study to the DMRE. Management informed the DMRE that the 2015 Offset Study for the Elandsfontein project did not adequately consider Kropz Elandsfontein's effective rehabilitation measures which have demonstrated successful implementation over the past three growing seasons. Kropz' Elandsfontein's rehabilitation measures have been shown to guarantee future rehabilitation success, if conducted in accordance with the approved and financially secured mine rehabilitation plan drafted by Kropz Elandsfontein's appointed rehabilitation specialist.

Following due consideration of all the comments and responses received during the thirty day public participation period, management received notification from the DMRE on 4 March 2021 that the conditions required to cater for the offsets of land will be removed from the Elandsfontein EMPr.

Several appeals against the DMRE's decision have been lodged and are being dealt with and Kropz will update the market once these matters have been resolved.

Water use licence ("WUL")
The outstanding appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. During this fourth sitting of the matter, all evidence was heard by the Water Tribunal. The Water Tribunal issued a directive to all parties, setting out the dates to be met for heads of arguments, to allow a ruling on 10 March 2021. The appellant has subsequently been granted two

postponements for the submission of their heads of arguments, which has delayed the possible date of the ruling to 31 July 2021.

Convertible loan facility for $5 million from ARC, entered into on 15 February 2021
Kropz secured a further convertible loan facility of up to US$ 5 million (not exceeding a maximum of ZAR 85 million) from ARC ("Further Equity Facility") in February 2021, to be used exclusively for the Hinda Updated FS and general corporate purposes for Kropz. Quarterly drawdowns under the Equity Facility are at the sole discretion of Kropz. The first draw down on the Further Equity Facility occurred on 10 March 2021 and second draw down of US$ 2 million occurred on 23 June 2021. No specific shareholder approval was required for the Further Equity Facility as the Company received the necessary authority at the AGM in August 2020 to allot shares for cash, without first offering them to existing shareholders in proportion to their existing shareholdings, of approximately 20 per cent. of the Company's issued share capital at that time, representing 88,792,180 new ordinary shares. Ordinary shares to be issued to ARC in terms of the Further Equity Facility will be a maximum of 86,863,398 ordinary shares.

The next drawdown is anticipated on 10 September 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 4.202 pence per ordinary share each quarter, and any US$ amount will be converted to GBP at an agreed rate of US$ 1 = 0.73 GBP. US$ 1 million of the Further Equity Facility remains to be drawn down in 2021 / 2022.

Divestment by the Company of its equity interest in Aflao, Ghana, entered into on 16 February 2021
During 2020, 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. During February 2021, Kropz disposed of its interest in FGE to Consortium Minerals Ltd ("Consortium"), for a consideration of US$ 327,529, made up as follows:
- US$ 5,000 in cash ("Share Consideration"); and
- US$ 322,529 ("Loan Consideration") deferred cash consideration in respect of the shareholder loan from Kropz to FGE, which is being novated to Consortium.

The Share Consideration will be payable by Consortium within seven days of completion. The Loan Consideration will be payable by Consortium to Kropz upon, the earlier of,
(i) the sign-off by a competent person of a definitive feasibility study on the Aflao deposit, as defined in the JORC Code 2012 edition; or
(ii) Consortium disposing or transferring the Shares prior to the event described in (i) being achieved; or
(iii) Consortium disposing or transferring the prospecting right prior to the event described in (i) being achieved.

Derivative asset
As disclosed in Note 10, a US$ 8.6 million derivative asset was recognised in relation to the undrawn Original Equity Facility from ARC to Kropz totalling US$ 21 million as at 31 December 2020. As at signing of these financial statements, US$ 3 million remains undrawn and in accordance with IFRS the derivative is revalued for changes in the share price prior to draw downs with a resulting loss for revaluation booked to Profit and Loss and the remaining receivable extinguished through equity based on the relative draw down percentage of the US$ 21 million undrawn at year end. As at signing of the report the derivative asset value is approximately US$ 0.5 million.

COVID Outbreak
The COVID pandemic 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 is 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 and construction operations have continued on site.

(36) Ultimate controlling party

The Directors consider Ubuntu-Botho Commercial Enterprises Proprietary Limited to be the ultimate controlling party of the Company