

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the “UK MAR”) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company’s obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

29 September 2021

**Kropz Plc**  
**(“Kropz” or the “Company”)**

**New Convertible Facility Agreement**

**and**

**General Meeting Notice**

Kropz Plc (AIM: KRPZ), an emerging African phosphate explorer and developer, announces it has entered into a new conditional convertible equity facility of up to ZAR 200 million (“**New ZAR Equity Facility**”), with ARC Fund (“**ARC**”), the Company’s major shareholder, in order to deliver the Company’s Elandsfontein phosphate project to first revenue.

The New ZAR Equity Facility is in addition to the US\$ 5 million facility which ARC and the Company entered into in February 2021 (“**Existing US\$ 5 million Equity Facility**”). US\$ 600,000 remains undrawn on the Existing US\$ 5 million Equity Facility.

As previously announced, a funding shortfall of approximately US\$ 8.5 million (approximately ZAR 127 million) was expected in respect of the commissioning and ramp-up of Elandsfontein in Q4 2021 and Q1 2022, before first revenue from the sales of Elandsfontein rock is expected in mid-Q1 2022. Kropz had secured a convertible loan facility of up to US\$ 40 million (not exceeding a maximum of ZAR 680 million) from ARC (“**Original Equity Facility**”) in June 2020, to be used exclusively for the development of Elandsfontein. At the time of concluding the Original Equity Facility, the exchange rate was well above ZAR 17/US\$ and budgets and cashflows were calculated based on that ZAR exchange rate. Due to the strengthening of the ZAR to the US\$ since mid-2020, ZAR drawdown receipts in South Africa were well below the ZAR 680 million anticipated at the time of concluding the Original Equity Facility. In addition, interest receipts on surplus cash invested generated less than expected interest receipts due to lower interest rates as a result of the COVID-19 pandemic and factoring in delays to commissioning in late Q4 2021 and to subsequent first ore sales, have led to the anticipated shortfall.

**New ZAR Equity Facility Highlights**

- The New ZAR Equity Facility comprises a total commitment of up to ZAR 200 million provided by ARC, which can be drawn down at the discretion of Kropz, as follows:
  - ZAR 127 million from the date that all the conditions to the New ZAR Equity Facility have been met (the “**Effective Date**”) and up to 30 April 2022; and
  - ZAR 73 million from the date as determined by ARC, and at its discretion, but no earlier than the Effective Date and until a further date as determined by ARC;
- At any time during the term of the New ZAR Equity Facility, repayment of the New ZAR Equity Facility capital amount will, at the election of ARC, either be:
  - In the form of the conversion into ordinary shares of 0.1 pence each (“**Ordinary Shares**”) in the Company and issued to ARC, at a conversion price of 4.5058 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price (“**VWAP**”) on 21 September 2021, and at fixed exchange rate of GBP 1 = ZAR 20.24 (“**Conversion**”); or
  - Payable in cash by the Company;

- The first drawdown is expected on 25 October 2021;
- Following a Conversion, the Company will apply for the newly issued Ordinary Shares in the capital of the Company to be admitted to trading on AIM;
- The New ZAR Equity Facility will bear interest at 14 per cent. per annum, and will be compounded monthly (“**Interest**”). Interest will be payable in cash to ARC by the Company;
- The term of the New ZAR Equity Facility will be from the Effective Date, to the earlier of:
  - 5 years from the Effective Date; or
  - One year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (Pty) Ltd (in the amount not exceeding US\$ 30 million), has been repaid;
- The New ZAR Equity Facility will be secured by the shares which Kropz holds in Cominco Resources Ltd (“**Share Charge**”). The New ZAR Equity Facility is conditional on entering into the Share Charge, which will be entered into before the General Meeting; and
- The New ZAR Equity Facility will be conditional on:
  - approval from the South African Reserve Bank (“**SARB**”). The SARB application was lodged on 27 September 2021 and the approval, once received, will be announced via the Regulatory News Service (“**RNS**”); and
  - shareholder approval.

### **Notice of General Meeting and Irrevocable Undertakings**

The New Equity Facility is above the authorisation limits given at the last Annual General Meeting in June 2021 and is conditional on shareholder approval which is being sought from the Company’s shareholders at a General Meeting to be held in London at 11:30 on 15 October 2021 at the offices of Memery Crystal, 165 Fleet Street, London, EC4A 2DY (“**General Meeting**”).

The Company is proposing at the General Meeting, resolutions to give the Company’s directors authority to issue and allot, on a non-pre-emptive basis, shares in the Company to meet the full demand under the New ZAR Equity Facility (these are in addition to the authorities granted at the previous Annual General Meeting).

Shareholders may attend the General Meeting to vote, or they may appoint a proxy or vote online by following the instructions set out in the Notice of General Meeting attached to this announcement. Proxy votes must be received no later than 11:30 on 13 October 2021.

A copy of the Notice of General Meeting and this announcement is being posted to shareholders today and will shortly be available for the purposes of AIM Rule 26 on the Company’s website at [www.kropz.com/investors/publications](http://www.kropz.com/investors/publications).

The Company has received irrevocable undertakings from the directors in respect of their holdings of 0.05 per cent. of the Company’s issued share capital and from shareholders holding 83.53 per cent. of the Company’s issued share capital to vote in favour of the resolutions proposed.

### **Related Party Transaction**

The New ZAR Equity Facility is a related party transaction (“**Transaction**”) pursuant to Rule 13 of the AIM Rules. Machiel Reyneke is a director of the Company and the representative of ARC. Further, as noted below, ARC and Kropz International are treated as acting in concert for the purposes of the City Code on Takeovers and Mergers (the “**Code**”) and have individual and aggregate interests in the Ordinary Shares as set out above. Mike Nunn, a director of the Company, is the beneficial owner of Kropz International. Accordingly, Mr Reyneke and Mr Nunn have not been involved in the approval of the Transaction by the Company’s board.

The directors of the Company who are considered independent for the purposes of the Transaction (being the directors excluding Mr Reyneke and Mr Nunn), having consulted with the Company’s Nominated Adviser, consider the terms of the Transaction to be fair and reasonable insofar as the Company’s shareholders are concerned.

## Draw Down

As noted above, the Company will be making the first draw down request under the New ZAR Equity Facility on or around 25 October 2021.

The next draw down under the Existing US\$ 5 million Equity Facility is expected to be made on or about 10 December 2021.

Further details of these drawdowns will be made in separate announcements in due course.

## Concert Parties and Impact on Shareholdings

As noted in the Company's AIM admission document, ARC and Kropz International are treated as acting in concert for the purposes of the Code and have individual and aggregate interests in the Ordinary Shares as set out in the table below. It is noted that, both before and after the closing of the Existing US\$ 5 million and the New Equity Facilities, on an aggregate basis, ARC and Kropz International hold and will continue to hold more than 50 per cent. of the Ordinary Shares and voting rights in the Company. On a standalone basis ARC, through its option with Kropz International, currently has a fully diluted interest of 86.6 per cent. of the Company (see footnote 3 below).

### Maximum Interests in Ordinary Shares <sup>(1)</sup>

	Existing ordinary shares		Maximum no. of further shares to be issued pursuant to Existing US\$ 5 million and New ZAR Equity Facilities <sup>(1)</sup>		Maximum shareholdings following Existing US\$ 5 million and New ZAR Equity Facilities <sup>(1)</sup>	
	No.	%	No.	No.	No.	%
ARC <sup>(2)</sup>	753,944,010	83.5	229,728,125	983,672,135	86.9	
Kropz International S.a.r.l. <sup>(2)(3)</sup>	54,933,474	6.1	0	54,933,474	4.8	
<b>Concert Party</b>	<b>808,877,484</b>	<b>89.6</b>	<b>229,728,125</b>	<b>1,038,605,609</b>	<b>91.7</b>	

(1) Assumes for illustrative purposes that the Existing US\$ 5 million Equity Facility and New ZAR Equity Facility is fully drawn and that all capital under the New ZAR Equity Facility is converted into equity.

(2) ARC and Kropz International are deemed to be acting in concert as defined in the Code.

(3) Kropz International and ARC have entered into an arrangement pursuant to which Kropz International has granted to ARC a call option over 50 per cent. of its shareholding. The call option over Kropz International's Ordinary Shares can be exercised by ARC if the value of ARC's shareholding on the third anniversary of Admission is 20 per cent. lower than its value on IPO on 30 November 2018. The call option has an alternative settlement of cash or assets, if the transfer of the Ordinary Shares would require the transferee to make a Rule 9 offer for the Company pursuant to the City Code.

(4) Mike Nunn, a director of Kropz, holds his beneficial interest in Kropz through Kropz International.

(5) Exchange rates used are fixed at GBP 1 = ZAR20.24 for the New ZAR Equity Facility and US\$ 1 = GBP 0.73 for the Existing US\$ 5 million Equity Facility.

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**About Kropz Plc**

Kropz is an emerging African explorer and developer of plant nutrient feed minerals with phosphate projects in South Africa and 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.