Kropz plc ("Kropz", the "Company") and its subsidiaries (the "Group")
Unaudited Half Year Results for the Six Months ended 30 June 2022

Kropz plc (AIM: KRPZ), an emerging African phosphate developer and producer, announces its unaudited results for the six months ended 30 June 2022.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Key financial indicators

- Impairment in the value of property, plant, equipment and mine development assets at Kropz Elandsfontein (Pty) Ltd ("Elandsfontein") of US$44.7 million;
- Property, plant, equipment and exploration assets, after the impairment above, of US$ 144 million as at 30 June 2022 (31 December 2021: US$ 180 million);
- Cash at 30 June 2022 of US$ 1 million (31 December 2021: US$ 2 million); and
- Trade and other payables at 30 June 2022 of US$ 8 million (31 December 2021: US$ 4 million).

Key corporate and operational developments during the period

Corporate

- Issued 6,700,000 ordinary shares, at an exercise price of £0.001 an ordinary share, in the Company to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities. The issue of ordinary shares was due to awards vesting that had been issued under the Company's Long-Term Incentive Plan of 31 July 2020, announced on 4 August 2020;
- The fifth and final drawdown on the US$ 5 million equity facility with the ARC Fund, Kropz's major shareholder ("Further Equity Facility"), as announced on 26 February 2021, occurred on 10 March 2022 for US$ 200,000;
- The third and fourth, and final drawdowns on the ZAR 200 Million Equity Facility with the ARC Fund ("ZAR 200 Million Equity Facility"), as announced on 29 September 2021, occurred on 25 March 2022 for ZAR 40 million and on 26 April 2022 for ZAR 33 million;
- As announced on 27 April 2022, Kropz Elandsfontein entered into an agreement with the ARC Fund for a ZAR 25 million (approximately US$ 1.60 million) bridge loan facility ("Loan 1") to meet cash requirements in respect of Kropz Elandsfontein and draw down of Loan 1 took place on 28 April 2022;
- As announced on 11 May 2022, Kropz entered into a new conditional convertible equity facility of up to ZAR 177 million (approximately US$ 11 million) ("ZAR 177 Million Equity Facility") with ARC Fund to fund Elandsfontein to first revenues from bulk concentrate sales;
- The ZAR 177 Million Equity Facility was approved by Kropz shareholders and became unconditional on 1 June 2022; and
- The first drawdown on the ZAR 177 Million Equity Facility occurred on 2 June 2022 for ZAR 103.5 million (approximately US$ 7 million). After set-off of Loan 1, Kropz received an amount of ZAR 78.5 million (approximately US$ 5 million).

Elandsfontein

- The focus at the Elandsfontein project continued to be production ramp-up of the mine and beneficiation plant;
- To 30 June 2022, 5,000 tonnes of concentrate had been produced and was being stored in the Saldanha Bay storage facility;
- BNP released the ZAR 77 million (approximately US$ 5 million) restricted cash in the bank account of Elandsfontein on 10 January 2022, upon satisfaction of the requirement by BNP for Kropz to bridge the funding shortfall in respect of Kropz Elandsfontein as announced on 1 September 2021;
- As announced on 27 April 2022, a further funding shortfall of ZAR 177 million was expected due to slower than expected progress in the ramp up of operations at Elandsfontein;
- First bulk sales are now expected in Q4 2022 as a result of early geological challenges in the mining area – higher than expected volumes of indurated material limited the mining rate that could be achieved with the mining equipment on site at that time;
- The delay was also driven by the need to re-engineer parts of the fine flotation circuit as proposed by the vendor and had also been affected by the lack of operator expertise and experience; and
- Measures taken by management to address these issues are set out later in this report.

Hinda

- Since 31 December 2021, management has been interrogating the Hinda Updated FS and financial model as prepared by Hatch;
- Various capital cost optimisation initiatives have been identified for investigation ahead of detailed design; and
- Development alternatives are being considered and potential funding options investigated.

Key corporate and operational developments post period end

Corporate

- The second drawdown on the ZAR 177 Million Equity Facility was made on 7 July 2022 for ZAR 60 million (approximately US$ 4 million);
- As announced on 20 July 2022, Mark Summers, has resigned as Chief Executive Officer ("CEO") and Executive Director of the company effective the end of 2022. The Board has commenced a process for appointing a new CEO;
- On 9 August 2022, a final drawdown on the ZAR 177 Million Equity Facility was made for ZAR 13.5 million (approximately US$ 0.9 million);
- As announced on 14 September 2022, Machiel Reyneke retired as a non-executive director of the Company and was replaced by Mr Gerrit Duminy, as non-executive director and representative of the ARC Fund;
- Today, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 126 million (approximately US$ 7 million) bridge loan facility to meet further cash requirements at Elandsfontein in the ramp-up of operations at Elandsfontein; and
- Kropz and the ARC Fund are currently working on a comprehensive funding structure to finance any further funding requirements in Kropz.

Elandsfontein

- Subsequent to 30 June 2022, further delays were announced in the ramp-up of operations at Elandsfontein, largely been driven by initial ore variability in the current mining area. Mining rates and associated delivery of ore to the plant were compromised due to the presence of competent banks of hard material within the orebody, that were previously unknown. This hard material could not be mined using free-digging methods leading to new equipment being brought to site to test mechanical breakage of the material, while alternative mining methods are being evaluated;
- To quantify and assess the impact of this hard material on the future mine plan, further drilling is currently in progress;
- A revised mineral resource estimate will be produced later in the year, once the results of this current drilling programme have been interpreted;
- As announced on 9 August 2022, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 121.5 million (approximately US$ 7.3 million) bridge loan facility ("Loan 2") to meet immediate cash requirements at Kropz Elandsfontein. A draw down of ZAR 60 million (approximately US$ 3.6 million) on Loan 2 was made on 9 August 2022. Loan 2 is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable on Loan 2 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly;
- The second drawdown on Loan 2 was made on 1 September 2022 for ZAR 47 million (approximately US$ 2.8 million). The third and final draw down of ZAR 14.5 million on Loan 2 was made on 29 September 2022; and
- At the date of this report, 10,000 tonnes of phosphate rock concentrate were in stock at the Saldanha Bay storage facility.

Hinda

- Potential funding solutions for the development of Hinda are being evaluated and considered.

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.

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About Kropz plc

Kropz is an emerging African phosphate developer and producer with phosphate projects in South Africa and the Republic of Congo (“RoC”). The vision of the Group is to become a leading independent phosphate rock producer and to develop into an integrated, mine-to-market plant nutrient company focusing on sub-Saharan Africa.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	30 June 2022 Unaudited US$'000	31 December 2021 Audited US$'000
Non-current assets			
Property, plant, equipment and mine development	7	**102,842**	135,099
Exploration assets	8	**41,199**	44,631
Right-of-use assets		**62**	7
Other financial assets		**1,261**	1,357
		145,364	**181,094**
Current assets			
Inventories		**2,059**	1,025
Trade and other receivables		**1,906**	1,511
Restricted cash		**-**	4,858
Cash and cash equivalents		**1,007**	2,461
		4,972	**9,855**
TOTAL ASSETS		**150,336**	**190,949**
Current liabilities			
Trade and other payables		**7,929**	3,543
Lease liabilities		**23**	7
Other financial liabilities	12	**11,768**	4,295
		19,720	**7,845**
Non-current liabilities			
Shareholder loans and derivative liability	11	**43,783**	25,043
Lease liabilities		**41**	-
Other financial liabilities	12	**18,814**	26,291
Provisions		**4,091**	4,033
		66,729	**55,367**
TOTAL LIABILITIES		**86,449**	**63,212**
NET ASSETS		**63,887**	**127,737**
Shareholders' equity			
Share capital	9	**1,212**	1,194
Share premium	9	**194,757**	193,524
Merger reserve	9	**(20,523)**	(20,523)
Foreign exchange translation reserve		**(11,094)**	(7,807)
Share-based payment reserve		**586**	1,197
Accumulated losses		**(94,419)**	(45,626)
Total equity attributable to the owners of the Company		**70,519**	**121,959**
Non-controlling interests		**(6,632)**	5,778
		63,887	**127,737**

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June 2022 Unaudited US$'000	Six months ended 30 June 2021 Unaudited US$'000
Revenue		**-**	-
Other income		**500**	7
Operating expenses		**(4,796)**	(3,436)
Operating loss		**(4,296)**	**(3,429)**
Finance income	13	**85**	1,547
Finance expense	14	**(4,306)**	(1,471)
Fair value losses from derivative asset/liability	15	**(7,637)**	(3,728)
Impairment losses	16	**(44,700)**	-
Loss on disposal of subsidiary		**-**	(224)
Loss before taxation		**(60,854)**	**(7,305)**
Taxation	17	**-**	(89)
Loss after taxation		**(60,854)**	**(7,394)**
Loss attributable to:			
Owners of the Company		**(46,794)**	(6,602)
Non-controlling interests		**(14,060)**	(792)
		(60,854)	**(7,394)**
Loss for the period		**(60,854)**	(7,394)
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		**(4,137)**	628
- Exchange differences on translating foreign operations		**501**	(175)
		(3,636)	**453**
Total comprehensive loss		**(64,490)**	**(6,941)**
Attributable to:			
Owners of the Company		**(50,081)**	(6,611)
Non-controlling interests		**(14,409)**	(330)
		(64,490)	**(6,941)**
Loss per share attributable to owners of the Company:			
Basic and diluted (US cents)	18	**(5.09)**	**(1.03)**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Retained earnings US$'000	Total attributable to owners US$'000	Non-controlling interest US$'000	Total equity US$'000
Unaudited – six months ended 30 June 2022									
Balance at 1 January 2022	**1,194**	**193,524**	**(20,523)**	**(7,807)**	**1,197**	**(45,626)**	**121,959**	**5,778**	**127,737**
Total comprehensive loss for the period	**-**	**-**	**-**	**(3,287)**	**-**	**(46,794)**	**(50,081)**	**(14,409)**	**(64,490)**
Issue of shares	18	503	-	-	-	-	521	-	521
Share options exercised	-	730	-	-	(730)	-	-	-	-
Share based payment charges	-	-	-	-	119	-	119	-	119
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(1,999)	(1,999)	1,999	-
Transactions with owners	**18**	**1,233**	**-**	**-**	**(611)**	**(1,999)**	**(1,359)**	**1,999**	**640**
Balance at 30 June 2022	**1,212**	**194,757**	**(20,523)**	**(11,094)**	**586**	**(94,419)**	**70,519**	**(6,632)**	**63,887**
Unaudited – six months ended 30 June 2021									
Balance at 1 January 2021	**706**	**168,212**	**(20,523)**	**2,334**	**385**	**(11,005)**	**140,109**	**(5,276)**	**134,833**
Total comprehensive loss for the period	-	-	-	(9)	-	(6,602)	(6,611)	(330)	(6,941)
Disposal of subsidiary	-	-	-	-	-	-	-	168	168
Issue of shares	416	21,584	-	-	-	-	22,000	-	22,000
Remeasurement of derivative asset on issuance of shares (Note 15)	-	-	-	-	-	(4,673)	(4,673)	-	(4,673)
Share based payment charges	-	-	-	-	317	-	317	-	317
Transactions with owners	**416**	**21,584**	**-**	**-**	**317**	**(4,673)**	**17,644**	**168**	**17,812**
Balance at 30 June 2021	**1,122**	**189,796**	**(20,523)**	**2,325**	**702**	**(22,280)**	**151,142**	**(5,438)**	**145,704**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June 2022 Unaudited US$'000	Six months ended 30 June 2021 Unaudited US$'000
Cash flows from operating activities		
Loss before taxation	**(60,854)**	(7,305)
Adjustments for:		
Depreciation of property, plant and equipment	**425**	430
Amortisation of right-of-use assets	**18**	19
Impairment losses	**44,700**	-
Share-based payment	**119**	317
Interest income	**(85)**	(289)
Interest expense	**2,414**	1,011
Fair value losses from derivative asset/liability	**7,637**	3,728
Loss on disposal of subsidiary	**-**	224
Foreign currency exchange differences	**1,884**	(1,028)
Fair value loss on game animals	**21**	12
Operating cash flows before working capital changes	**(3,721)**	**(2,881)**
Increase in trade and other receivables	**(478)**	(1,985)
(Increase) / decrease in inventories	**(1,117)**	11
Increase in payables	**4,832**	2,445
Accretion in provisions	**-**	177
	(484)	**(2,233)**
Income taxes paid	**-**	-
Net cash flows used in operating activities	**(484)**	**(2,233)**
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(16,762)**	(18,659)
Exploration and evaluation expenditure	**(194)**	(1,931)
Receipt from other financial asset	**70**	-
Interest received	**85**	289
Transfers from restricted cash	**4,858**	1,946
Net cash flows used in investing activities	**(11,943)**	**(18,355)**
Cash flows from financing activities		
Finance cost paid	**(1,072)**	(1,011)
Shareholder loan received	**11,730**	-
Repayment of lease liabilities	**(14)**	(20)
Other financial liabilities received	**25**	38
Issue of ordinary share capital	**554**	22,000
Net cash flows from financing activities	**11,223**	**21,007**
Net (decrease) / increase in cash and cash equivalents	**(1,204)**	**419**
Cash and cash equivalents at beginning of the period	**2,461**	11,572
Foreign currency exchange (losses) / gains on cash	**(250)**	499
Cash and cash equivalents at end of the period	**1,007**	**12,490**

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

1. General information

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

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

2. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the accounting policies of the consolidated financial statements for the year ended 31 December 2021. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual report. The statutory financial statements for the year ended 31 December 2021 were prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under the International Financial Reporting Standards (“IFRS”). They have been filed with the Registrar of Companies. The auditors’ reported on those financial statements was unqualified but included a material uncertainty related to going concern.

The interim consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies. They are presented in United States Dollars, the presentation currency of the Group and figures have been rounded to the nearest thousand.

The interim financial information is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006.

The interim financial information was approved and authorised for issue by the Board of Directors on 30 September 2022.

3. Significant events

The further potential effects of COVID-19, and the possibility of further waves in South Africa and the RoC remain a risk to Kropz’s projects. Kropz has mitigated this risk as far as reasonably practicable by compliance with the Kropz COVID-19 policies and procedures. Additionally, the recent Ukraine-Russia conflict has created increased uncertainty and volatility in debt and equity markets alongside increased inflationary pressures, supply chain constraints and increased foreign exchange volatility which may make the raising of funding more difficult to secure.

4. Going concern

During the six months ended 30 June 2022, the Group incurred a loss of US$ 60.9 million (six months ended 30 June 2021: US$ 7.4 million) and experienced net cash outflows from operating activities. Cash and cash equivalents totalled US$ 1.0 million as at 30 June 2022 (31 December 2021: US$ 2.5 million)

Delays in the ramp-up of operations at Elandsfontein, as set out above, have delayed first revenues from Elandsfontein to later in 2022.

First revenue from Elandsfontein is now forecast in Q4 of 2022. The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and facilities and future fund raisings to meet overheads and future development and exploration requirements as they fall due.

In September 2021, Kropz secured the ZAR 200 Million Equity Facility of up to ZAR 200 million from the ARC Fund, to be used exclusively for the purposes of bringing the Elandsfontein project to first revenues. On 26 October 2021, Kropz received a draw down on the ZAR 200 Million Equity Facility of ZAR 90 million and a further ZAR 37 million on 10 December 2021. Two further drawdowns were made in 2022, one on 25 March 2022 for ZAR 40 million and ZAR 33 million on 26 April 2022. The ZAR 200 Million Equity Facility is fully drawn at the date of this report.

In April 2022, ARC Fund agreed to provide a ZAR 25 million (approximately US$ 1.6 million) bridge loan facility ("Loan 1") to Kropz Elandsfontein to meet its immediate cash requirements. Loan 1 was unsecured, repayable on demand, and there were no fixed repayment terms. It is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable on the Loan at 14% nominal, compounded monthly. Loan 1 was fully drawn down on 28 April 2022.

In May 2022, Kropz secured the ZAR 177 Million Equity Facility from the ARC Fund. The ZAR 177 Million Equity Facility could be drawn down following a written request from Kropz plc and at the discretion of the ARC Fund. The principal drawn amount may, at the discretion of ARC Fund, at any time be converted to ordinary shares, or alternatively be repaid in cash at the end of the term of the ZAR 177 Million Equity Facility which is 27 October 2026. The ZAR 177 Million Equity Facility was to be used exclusively for the purposes of bringing the Elandsfontein project to first revenues, given a slower ramp-up in operations than originally envisaged. The delay in ramp-up was largely driven by the need to re-engineer parts of the fine flotation circuit proposed by the vendor, but had also been affected by early unpredicted ore variability and lack of operator experience. Since the announcement, the vendor provided design changes which were implemented at the plant, additional operator training was conducted and is ongoing and a mobile crusher ordered to facilitate the crushing of the affected ore to an appropriate size fraction until further test work has been conducted for a permanent solution.

First drawdown of the ZAR 177 Million Equity Facility of ZAR 103.5 million was made on 2 June 2022. Loan 1 of ZAR 25 million was set off against the first draw down and the net amount of ZAR 78.5 million received by the Company. The second drawdown on the ZAR 177 Million Equity Facility for ZAR 60 million was made on 7 July 2022 and third and final drawdown of ZAR 13.5 million on 9 August 2022.

As announced on 9 August 2022, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 121.5 million (approximately US$ 7.3 million) bridge loan facility ("Loan 2") to meet immediate cash requirements at Elandsfontein due to further delays in the ramp-up of operations at Elandsfontein. These delays have largely been driven by increased ore variability in the current mining area. Mining rates and associated delivery of ore to the plant were compromised due to the presence of competent banks of hard material within the orebody, that were previously unknown. This hard material could not be mined using free-digging methods and new equipment needed to be brought to site to test mechanical breakage of the material. Alternative mining methods have been identified. In order to assess the impact of this hard material on the future mine plan, further drilling is currently in progress. A revised mineral resource estimate will be produced once the results of this drilling have been interpreted.

A draw down for ZAR 60 million (approximately US$ 3.6 million) of Loan 2 was made on 9 August 2022. Loan 2 is unsecured, repayable on demand, and there are no fixed repayment terms. It is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable on the Loan at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly.

The second drawdown on Loan 2 was made on 1 September 2022 for ZAR 47 million (approximately US$ 2.8 million). The third and final draw down of ZAR 14.5 million on Loan 2 was made on 29 September 2022.

On 30 September 2022, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 126 million (approximately US$ 7 million) bridge loan facility to meet forecast cash requirements at Elandsfontein up to expected first revenue receipts due to further delays in the ramp-up of operations at Elandsfontein. Once contractual agreements have been finalised, drawdowns will be announced when made on this further bridge loan.

On 24 February 2022, Russian troops invaded Ukraine. The war in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and exacerbate the effects of current market conditions. Phosphate markets are currently in turmoil, largely due to the sanctions imposed on Russia. Russia is a significant supplier of fertiliser feed products and associated sanctions increased the prices of phosphate products significantly as producers that relied on Russian sources scrambled to secure alternative sources of amongst others, low cadmium phosphate rock. Kropz does not have Russian entities in its supply chain nor customers and will benefit from higher phosphate prices.

Additionally, at the date of these interim financial statements, the potential future impact of COVID is uncertain, and any delays or interruptions could cause delays that would require additional funding through the raising of debt or equity.

Key contracts associated with operational readiness and commencement of production activities at Kropz Elandsfontein are finalised, except for Transnet. Negotiations with Transnet were finalised in December 2021 and final signature of the Transnet contract is expected prior to the shipment of first concentrate sales.

Production has steadily been increasing and 10,000 tonnes of phosphate rock concentrate is now in stock at the Saldanha Bay storage facility.

Current forecasts are based on first concentrate sales from Kropz Elandsfontein of approximately ZAR 40 million in October 2022, an average of ZAR 40 million per month for the 3-month period ended 31 December 2022 and ZAR169 million per month for the 14-month period ended 28 February 2024, thereafter. Should first concentrate sales not occur in October to December 2022, a funding shortfall would arise in Kropz Elandsfontein at the end of 31 December 2022 of approximately ZAR 209 million.

Failure to produce adequate quantities of phosphate rock concentrate to fulfil first sales in the projected time frame, could negatively impact production ramp-up and cash generation and create an additional funding requirement. The average operating costs over the 17-month forecast period for Kropz Elandsfontein is estimated at approximately ZAR 116 million per month.

Kropz Plc’s future cashflows are dependent on concentrate revenues being achieved by Kropz Elandsfontein.

The Directors have reviewed the Group’s overall cash position, debt repayments and outlook, for a period of seventeen months following the date of signature of these interim financial statements and have considered sensitivities around pricing, volume and timing of production 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 basis of accounting in preparing these interim financial statements.

Management is working hard with its contractors to overcome mining and production challenges and increase production to achieve steady state production. Management has successfully raised money in the past from its supportive shareholder base, but there is no guarantee forecast sales will be achieved by the end of the 2022 financial year and that adequate funds will be available in the future. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

5. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the ‘10 per cent’ Test for Derecognition of Financial liabilities
- IFRS 16: Amendment of illustrative example 13 to remove any confusion about the treatment of lease
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

6. Segment information

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

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

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

30 June 2022	**South Africa US$’000**	**RoC US$’000**	**Group US$’000**
Total non-current assets	**104,140**	**41,224**	**145,364**

31 December 2021	**South Africa US$’000**	**RoC US$’000**	**Group US$’000**
Total non-current assets	136,431	44,663	**181,094**

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

	30 June 2022 Cost US$'000	30 June 2022 Accumulated depreciation and impairment US$'000	30 June 2022 Carrying value US$'000	31 Dec 2021 Cost US$'000	31 Dec 2021 Accumulated depreciation US$'000	31 Dec 2021 Carrying value US$'000
Buildings and infrastructure						
Land	**1,481**	**-**	**1,481**	1,515	-	1,515
Buildings	**10,281**	**(3,161)**	**7,120**	10,514	(56)	10,458
Capitalised road costs	**7,941**	**(5,570)**	**2,371**	8,121	(2,978)	5,143
Capitalised electrical sub-station costs	**3,445**	**(2,340)**	**1,105**	3,523	(1,213)	2,310
Machinery, plant and equipment						
Critical spare parts	**2,101**	**-**	**2,101**	1,713	-	1,713
Plant and machinery	**90,610**	**(27,377)**	**63,233**	86,243	(63)	86,180
Water treatment plant	**2,381**	**(718)**	**1,663**	2,435	-	2,435
Furniture and fittings	**58**	**(41)**	**17**	49	(40)	9
Geological equipment	**83**	**(47)**	**36**	65	(45)	20
Office equipment	**32**	**(27)**	**5**	32	(21)	11
Other fixed assets	**1**	**(1)**	**-**	1	(1)	-
Motor vehicles	**97**	**(97)**	**-**	100	(100)	-
Computer equipment	**76**	**(44)**	**32**	65	(41)	24
Mine development	**18,520**	**(5,583)**	**12,937**	18,938	-	18,938
Stripping activity costs	**15,101**	**(4,552)**	**10,549**	6,126	-	6,126
Game animals	**192**	**-**	**192**	217	-	217
Total	**152,400**	**(49,558)**	**102,842**	**139,657**	**(4,558)**	**135,099**

Reconciliation of property, plant, equipment and mine development – Period ended 30 June 2022

	Opening Balance US$'000	Additions US$'000	Impairment provision US$'000	Fair value loss US$'000	Deprecia-tion charge US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Buildings and infrastructure							
Land	**1,515**	-		-	-	(34)	**1,481**
Buildings	**10,458**	-	(3,099)	-	(7)	(232)	**7,120**
Capitalised road costs	**5,143**	-	(2,394)	-	(280)	(98)	**2,371**
Capitalised electrical sub-station costs	**2,310**	-	(1,039)	-	(121)	(45)	**1,105**
Machinery, plant and equipment							
Critical spare parts	**1,713**	450	-	-	-	(62)	**2,101**
Plant and machinery	**86,180**	6,634	(27,315)	-	(1)	(2,265)	**63,233**
Water treatment plant	**2,435**	-	(718)	-	-	(54)	**1,663**
Furniture and fittings	**9**	10		-	(2)	-	**17**
Geological equipment	**20**	20		-	(3)	(1)	**36**
Office equipment	**11**	-		-	(6)	-	**5**
Other fixed assets	**-**	-		-	-	-	**-**
Motor vehicles	**-**	-		-	-	-	**-**
Computer equipment	**24**	14		-	(5)	(1)	**32**
Mine development	**18,938**	-	(5,583)	-	-	(418)	**12,937**
Stripping activity costs	**6,126**	9,634	(4,552)	-	-	(659)	**10,549**
Game animals	**217**	-	-	(21)	-	(4)	**192**
Total	**135,099**	**16,762**	**(44,700)**	**(21)**	**(425)**	**(3,873)**	**102,842**

Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2021

	Opening Balance US$'000	Additions US$'000	Fair value loss US$'000	Deprecia-tion charge US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Buildings and infrastructure						
Land	2,067	-	-	-	(552)	**1,515**
Buildings	10,991	-	-	(49)	(484)	**10,458**
Capitalised road costs	6,177	-	-	(583)	(451)	**5,143**
Capitalised electrical sub-station costs	2,765	-	-	(253)	(202)	**2,310**
Machinery, plant and equipment						
Critical spare parts	1,285	571	-	-	(143)	**1,713**
Plant and machinery	66,609	29,578	-	(4)	(10,003)	**86,180**
Water treatment plant	1,129	1,503	-	-	(197)	**2,435**
Furniture and fittings	3	10	-	(2)	(2)	**9**
Geological equipment	-	24	-	(2)	(2)	**20**
Office equipment	18	-	-	(6)	(1)	**11**
Other fixed assets	-	-	-	-	-	**-**
Motor vehicles	-	-	-	-	-	**-**
Computer equipment	5	24	-	(5)	-	**24**
Mine development	20,046	528	-	-	(1,636)	**18,938**
Stripping activity costs	3,193	3,433	-	-	(500)	**6,126**
Game animals	185	-	51	-	(19)	**217**
Total	**114,473**	**35,671**	**51**	**(904)**	**(14,192)**	**135,099**

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for US$ 30 million (see Note 12). BNP has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings (Pty) Ltd ("Elandsfontein Land Holdings") as well as the share investments in those respective companies owned by Kropz SA (Pty) Ltd ("Kropz SA").

8. Intangible assets - exploration and evaluation costs

	30 June 2022 US$'000	31 December 2021 US$'000
Capitalised exploration costs		
Cost	**41,199**	44,631
Amortisation	**-**	-
Carrying value	**41,199**	**44,631**

Reconciliation of exploration assets

	Opening Balance US$'000	Additions US$'000	Disposals US$'000	Foreign exchange loss US$'000	Closing balance US$'000
Period ended 30 June 2022					
Capitalised exploration costs	**44,631**	**194**	**-**	**(3,626)**	**41,199**

Reconciliation of exploration assets

	Opening Balance US$'000	Additions US$'000	Disposals US$'000	Foreign exchange loss US$'000	Closing balance US$'000
Year ended 31 December 2021					
Capitalised exploration costs	**44,348**	**3,931**	**(62)**	**(3,586)**	**44,631**

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 Board of Directors assessed whether there were any indicators of impairment. No indicators were identified.

9. Share capital

Shares were issued during the period as set out below:

	Number of shares	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Total US$'000
At 1 January 2021	**558,627,558**	**706**	**168,212**	**(20,523)**	**148,395**
Convertible loan – issue of shares	350,944,417	488	25,312	-	25,800
As at 31 December 2021	**909,571,975**	**1,194**	**193,524**	**(20,523)**	**174,195**
Share options exercised	6,700,000	9	731	-	740
Shares issued in settlement of guarantee fees	3,971,712	4	307	-	311
Convertible loan – issue of shares	3,474,536	5	195	-	200
At 30 June 2022	**923,718,223**	**1,212**	**194,757**	**(20,523)**	**175,446**

The changes to the issued share capital of the Company which occurred between 1 January 2022 and 30 June 2022 were as follows:

Convertible loan facilities

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

The fifth and final drawdown on the Further Equity Facility occurred on 10 March 2022 for US$ 200,000 which was settled by way of the issue of 3,474,536 new ordinary shares at the issue price of 4.202 pence per ordinary share to the ARC Fund.

As announced on 13 May 2020, and pursuant to the terms of the original US$ 40 million equity facility, any fees associated with the bank guarantee provided by ARC Fund, would be settled by the issue of new ordinary shares to ARC Fund. The final guarantee fees due to ARC Fund, amounting to US$ 311,733 was settled by the issue of 3,971,712 new ordinary shares on 10 March 2022.

Share based payment arrangements

Employee Share Option Plan and Long-Term Incentive Plan

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

The following plans have been adopted by the Company:

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

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

The charge to profit and loss for the period ended 30 June 2022 was US$ 119,000 (period ended 30 June 2021: US$ 317,000).

As announced on 4 August 2020, 6,700,000 LTIP Awards were awarded to a Director and senior management. 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 performance conditions were met and 6,700,000 LTIP Awards vested on 31 December 2021. Consequently, 6,700,000 ordinary shares were issued on 24 January 2022, at an exercise price of £0.001 an ordinary share, in the Company.

10. Key management personnel remuneration

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

Period ended 30 June 2022	Remuneration [i] US$	Short-Term Benefits Bonus US$	Options [ii] US$	Total US$
Executive directors				
Mark Summers	161,879	-	52,638	214,517
	161,879	**-**	**52,638**	**214,517**
Non-executive directors				
Lord Robin Renwick	25,946	-	-	25,946
Linda Beal	24,269	-	-	24,269
Mike Daigle	31,135	-	-	31,135
Machiel Reyneke [iii]	-	-	-	-
Mike Nunn [iii]	-	-	-	-
	81,350	**-**	**-**	**81,350**
Total directors' remuneration	**243,229**	**-**	**52,638**	**295,867**
Executives				
Michelle Lawrence	116,474	-	36,510	152,984
Patrick Stevenaert	81,328	-	9,021	90,349
	197,802	**-**	**45,531**	**243,333**

Period ended 30 June 2021	Remuneration[i] US$	Short-Term Benefits Bonus US$	Options [ii] US$	Total US$
Executive directors				
Mark Summers	154,491	-	127,317	281,808
	154,491	**-**	**127,317**	**281,808**
Non-executive directors				
Lord Robin Renwick	27,759	-	-	27,759
Linda Beal	25,965	-	-	25,965
Mike Daigle	33,311	-	-	33,311
Machiel Reyneke [iii]	-	-	-	-
Mike Nunn [iii]	-	-	-	-
	87,035	**-**	**-**	**87,035**
Total directors' remuneration	**241,526**	**-**	**127,317**	**368,843**
Executives				
Michelle Lawrence	109,585	-	110,062	219,647
Patrick Stevenaert	89,692	-	41,165	130,857
	199,277	**-**	**151,227**	**350,504**

(i) Includes UK NIC, UK payroll tax and pension.
(ii) Options as share-based payment arrangements under the ESOP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.
(iii) Machiel Reyneke and Mike Nunn receive no Director fees.

The following ESOP options, which were issued at the time of admission to AIM as share-based payment arrangements, were outstanding to KMP at the period ended 30 June 2022:

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

The following LTIP options, which were issued on 2 July 2021 as share-based payment arrangements, were outstanding to KMP at the period ended 30 June 2022:

Name	Vesting dates	Exercise Price (pence)	Number of Options
Mark Summers	Various	0.1	2,400,000
Michelle Lawrence	Various	0.1	2,400,000
Patrick Stevenaert	Various	0.1	900,000
			5,700,000

11. Shareholder loans and derivative liability

	30 June 2022 US$'000	31 December 2021 US$'000
ARC Fund	**16,489**	16,196
Convertible debt – ARC Fund	**15,583**	6,191
Derivative liability	**11,711**	2,656
	43,783	**25,043**

ARC Fund

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%; and (iii) are repayable by no later than 1 January 2035 (or such earlier date as agreed between the parties to the shareholder agreements).

Convertible debt – ARC Fund

On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility") with ARC Fund. The Company made a drawdown of ZAR 90 million of the ZAR 200 Million Equity Facility on 26 October 2021, ZAR 37 million on 9 December 2021, ZAR40 million on 25 March 2022 and a further ZAR 33 million on 26 April 2022. The ZAR 200 Million Equity Facility is fully drawn down at the date of this report. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 200 Million Equity Facility, repayment of the ZAR 200 Million Equity Facility capital amount will, at the election of ARC Fund, 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 Fund, 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, or payable in cash by the Company at the end of the term of the ZAR 200 Million Equity Facility which is 27 October 2026.

On 11 May 2022, the Company entered into a new convertible equity facility of up to ZAR 177 million ("ZAR 177 Million Equity Facility") with ARC Fund. The Company made a drawdown of ZAR 103.5 million of the ZAR 177 Million Equity Facility on 2 June 2022. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount will, at the election of ARC Fund, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC Fund, at a conversion price of 9.256 pence per Ordinary Share each, representing the 30-day VWAP on 4 May 2022, and at fixed exchange rate of ZAR 1 = GBP 0.0504, or payable in cash by the Company at the end of the term of the ZAR 177 Million Equity Facility which is 2 June 2027. Two further draw downs were made in 2022, one on 7 July 2022 for ZAR 60 million and ZAR 13.5 million on 9 August 2022. The ZAR 177 Million Equity Facility is fully drawn down at the date of this report.

Convertible liability

It was determined that the conversion option embedded in the convertible debt equity facility be accounted for separately as a derivative liability. Although the amount to be settled is fixed in ZAR, when converted back to Kropz's functional currency, will result in a variable amount of cash based on the exchange rate at the date of conversion. The value of the liability component and the derivative conversion component were determined at the date of first draw down using a Monte Carlo simulation. The debt host liability was bifurcated based on the determined value of the option. Subsequently, the embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss (refer to Note 21).

12. Other financial liabilities

	30 June 2022 US$'000	31 December 2021 US$'000
BNP Paribas	**30,064**	30,041
Greenheart Foundation	**518**	545
Total	**30,582**	**30,586**
Non-current financial liabilities	**18,814**	26,291
Current financial liabilities	**11,768**	4,295
Total	**30,582**	**30,586**

BNP

A US$ 30,000,000 facility was made available by BNP Paribas to Kropz Elandsfontein in September 2016. Interest was charged at three months US LIBOR plus 4.5% 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 Paribas 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 Paribas provided the necessary consents required to facilitate all the contemplated transactions leading up to the admission of Kropz plc to AIM. The waiver and restructured facility were 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 Paribas. In May 2020, Kropz Elandsfontein and BNP Paribas 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 Paribas 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% plus US LIBOR, up to project completion and 4.5% plus US LIBOR thereafter. Financial closure occurred on 25 June 2020.

BNP Paribas has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings as well as the share investments in those respective companies owned by Kropz SA.

13. Finance income

	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
Interest income	**85**	289
Foreign exchange gains	**-**	1,258
Total	**85**	**1,547**

14. Finance expense

	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
Shareholder loans	**1,215**	243
Foreign exchange losses	**1,892**	44
Bank debt	**1,057**	1,010

BNP Paribas – Debt modification present value adjustment amortisation	**(123)**	(130)
BNP Paribas amendment fee amortisation	**108**	114
Finance leases	**3**	-
Other	**154**	190
Total	**4,306**	**1,471**

15. Fair value losses from derivative asset/liability

	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
Fair value loss from convertible loan facilities	**7,637**	**3,728**
Total	**7,637**	**3,728**

The Group secured a US$ 40 million convertible loan facility from ARC Fund, Kropz's major shareholder, in June 2020 for the development of Elandsfontein. Under the terms of the convertible equity facility, ARC Fund 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 Fund secured this facility from Rand Merchant Bank in South Africa in order to fulfil its commitments to the Company. The Company, via Kropz Elandsfontein, received 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$.

Immediately upon draw down, new ordinary shares in the Company were issued to ARC Fund 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 Fund in terms of a drawdown.

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

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

On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility") and on 11 May 2022 of up to ZAR 177 million ("ZAR 177 Million Equity Facility") with ARC Fund (refer to Note 11). It was determined that the conversion option embedded in the convertible debt equity facilities be accounted for separately as a derivative liability. The embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded in profit and loss (refer to Note 21).

16. Impairment losses

The Elandsfontein mine is currently in the ramp-up phase. The Directors have therefore carried out a review of impairment indicators. As part of the impairment indicator assessment, the net present value of the life of mine plan is considered. The net present value is most sensitive to the following key estimates and assumptions:

- Phosphate rock prices;
- Phosphate recoveries;
- Foreign exchange rates; 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. These assessments are based on the resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Forecast phosphate prices have been obtained from independent external experts and forecast South African Rand exchange rates from commercial banks. Based on the assumptions the recoverable amount of assets (US$ 100.5 million) is significantly less than its carrying amount (US$ 145.2 million) and an impairment of US$ 44.7 million is required.

The impairment loss was allocated as follows:

	Six months ended 30 June 2022 US$'000	**Six months ended 30 June 2021 US$'000**
Property, plant, equipment and mine development assets	**44,700**	-
Total	**44,700**	**-**

Sensitivity Analysis

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

		Reversal of / (increase in) impairment US$ million
Impact if discount rate	Increased by 2%	**(12.3)**
Impact if selling prices	increased by 10%	**44.7**
	reduced by 10%	**(63.8)**
Impact if production tonnes	increased by 10%	**44.7**
	reduced by 10%	**(57.8)**
Impact if foreign exchange rates	increased by 10%	**44.7**
	reduced by 10%	**(59.8)**
Impact if operating costs:	increased by 10%	**(54.3)**
	reduced by 10%	**44.7**

17. Taxation

Major components of tax charge	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
Deferred		
Originating and reversing temporary differences	**-**	-
Current tax		
UK tax in respect of current period	**-**	89
Total	**-**	**89**

The Group had losses for tax purposes of approximately US$ 78.2 million (31 December 2021: US$ 52.1 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A net deferred tax asset arising from these losses has not been recognised as steady state production has not been reached.

18. Earnings per share

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

	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
Loss attributable to ordinary shareholders	**(46,794)**	(6,602)
Weighted average number of ordinary shares in Kropz plc	**920,069,356**	643,728,660
Basic and diluted loss per share (US cents)	**(5.09)**	**(1.03)**

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

19. Related party transactions

Details of share issues, KMP remuneration and shareholder loans are explained in Notes 9, 10 and 11. In addition, the following transactions were carried out with related parties:

Related party balances
Loan accounts – Owed to related parties

	30 June 2022 US$'000	31 December 2021 US$'000
ARC Fund	**16,489**	16,196
Convertible debt – ARC Fund	**15,583**	6,191
Derivative liability	**11,711**	2,656
Greenheart Foundation	**518**	545
Total	**44,301**	**25,588**

Related party balances
Interest paid to related parties

	Six months ended 30 June 2022 US$'000	Six months ended 30 June 2021 US$'000
ARC Fund	**1,215**	243
Total	**1,215**	**243**

20. Seasonality of the Group's business

There are no seasonal factors which materially affect the operations of any company in the Group.

21. Fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 30 June 2022.

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables;
- Trade payables;
- Restricted cash; and
- Cash and cash equivalents.

	As at 30 June 2022		As at 31 December 2021	
	Carrying amount US$'000	**Fair value US$'000**	**Carrying amount US$'000**	**Fair value US$'000**
Financial Assets				
Other financial assets	**1,261**	**1,261**	1,357	1,357
Derivative asset	**-**	**-**	-	-
Total	**1,261**	**1,261**	**1,357**	**1,357**
Financial Liabilities				
Shareholder loans	**32,072**	**32,072**	22,387	22,387
Derivative liability	**11,711**	**11,711**	2,656	2,656
Other financial liabilities	**30,582**	**30,582**	30,586	30,586
Total	**74,365**	**74,365**	**55,629**	**55,629**

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

(i) Financial instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

(ii) Fair value hierarchy

The fair value hierarchy consists of the following levels

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

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
30 June 2022				
Derivative asset	**-**	**-**	**-**	**-**
31 December 2021				
Derivative asset	-	-	-	-

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
30 June 2022				
Derivative liability	**-**	**-**	**11,711**	**11,711**
31 December 2021				
Derivative liability	**-**	**-**	2,656	**2,656**

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

(iii) Reconciliation: Level 3 fair value measurement

	Six months ended 30 June 2022 US$'000	**Year ended 31 December 2021 US$'000**
Derivative asset		
Opening balance	**-**	8,586
Fair value loss recognised in profit and loss	**-**	(4,139)
Extinguished on issuance of equity	**-**	(4,447)
Closing balance	**-**	**-**
Derivative liability		
Opening balance	**(2,656)**	-
Fair value at initial recognition	**(2,320)**	(2,015)
Fair value loss recognised in profit and loss	**(7,637)**	(653)
Foreign exchange	**902**	12
Closing balance	**(11,711)**	**(2,656)**

(iv) Valuation technique used to determine fair value

Derivative asset:

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

Derivative liability:

A Monte-Carlo simulation was applied to value the option component of the convertible debt at a 30% volatility in share price, 14% volatility in the GBP:ZAR exchange rate and risk free rate of 0.76% multiplied by the number of shares to be issued pursuant to the drawn amounts under the ZAR 200 Million Equity Facility and ZAR 177 Million Equity Facility.

22. Events after the reporting period

The second drawdown on the ZAR 177 Million Equity Facility of ZAR 60 million was made on 7 July 2022 and third and final drawdown of ZAR 13.5 million on 9 August 2022.

Further delays in the ramp-up of operations at Elandsfontein has largely been driven by ore variability in the current mining area, as discussed above.

As announced on 9 August 2022, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 121.5 million (approximately US$ 7.3 million) bridge loan facility ("Loan 2") to meet immediate cash requirements at Elandsfontein. A draw down ZAR 60 million (approximately US$ 3.6 million) of Loan 2 was made on 9 August 2022 and the third and final draw down of ZAR 14.5 million (approximately US$ 800,000) was made on 29 September 2022.

Loan 2 is unsecured, repayable on demand, and there are no fixed repayment terms. It is repayable by Elandsfontein on no less than two business days' notice. Interest is payable on Loan 2 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly.

At the date of this report, 10,000 tonnes of phosphate rock concentrate were in stock at the Saldanha Bay storage facility.

As announced on 30 September 2022, Kropz, Kropz Elandsfontein and ARC Fund agreed to a further ZAR 126 million (approximately US$ 7 million) bridge loan facility to meet further cash requirements at Elandsfontein due to further delays in the ramp-up of operations at Elandsfontein. A further announcement will be made once contractual agreements have been finalised and drawdowns made on this further bridge loan.

Company information

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Mark Robert Summers, Chief Executive Officer
Michael (Mike) John Nunn, Non-executive Director
Gerrit Jacobus Duminy, Non-executive Director (appointed 14 September 2022)
Michael (Mike) Albert Daigle, Independent Non-executive Director
Linda Janice Beal, Independent Non-executive Director

Company secretary
Mark Robert Summers

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