

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (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.

31 July 2023

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

**Final Audited Results for the Year ended 31 December 2022,
Posting of Annual Report and Accounts,
Notice of General Meeting
and
Restoration of Trading on AIM**

Kropz Plc (AIM: KRPZ), an emerging African producer and developer of plant nutrient feed minerals, announces Final Audited Results for the Year ended 31 December 2022 and the publication of the Company's Annual Report and Accounts.

The full financial report will be available online immediately on the Company's website at www.kropz.com and will be posted to shareholders that have elected to receive printed copies today. Printed copies will, therefore, be available to shareholders during the course of the week.

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 at 165 Fleet Street, London EC4A 2DY on 1 September 2023 at 12.00 p.m.

Following the publication of the results for the year ended 31 December 2022, the Company has requested that the suspension of trading in its shares to be lifted with effect from 7.30 a.m. today, Monday 31 July 2023.

Highlights

Key developments during the 2022 financial year

Corporate

- Kropz plc ("Kropz" or the "Company") 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 in January 2022. 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 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 the drawdown of Loan 1 took place on 28 April 2022. Loan 1 was unsecured, repayable on demand, with no fixed repayment terms and was repayable by Kropz Elandsfontein on no less than two business days’ notice. Interest was payable on Loan 1 at 14% nominal per annum and compounded monthly;
- 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 the ARC Fund to fund Elandsfontein to first revenues from bulk concentrate sales - this 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 against Loan 1, Kropz received an amount of ZAR 78.5 million (approximately US\$ 5 million);
 - The second drawdown on the ZAR 177 Million Equity Facility was made on 7 July 2022 for ZAR 60 million (approximately US\$ 4 million);
 - 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 20 July 2022, Mark Summers expressed his intention to leave the Company and he resigned as Chief Executive Officer (“CEO”) and Executive Director of the Company in January 2023;
- 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 was unsecured, repayable on demand, with no fixed repayment terms and was repayable by Kropz Elandsfontein on no less than two business days’ notice. Interest was 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;
- As announced on 14 September 2022, Machiel Reyneke retired as a non-executive director of the Company and was replaced by Gerrit Duminy, as non-executive director and representative of the ARC Fund;
- 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 (“Loan 3”) to meet immediate cash requirements at Kropz Elandsfontein. A draw down of ZAR 60.5 million (approximately US\$ 3.4 million) on Loan 3 was made on 6 October 2022. Loan 3 was unsecured, repayable on demand, with no fixed repayment terms and was repayable by Kropz Elandsfontein on no less than two business days’ notice. Interest was payable on Loan 3 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly;
 - The second and final drawdown on Loan 3 was made on 28 October 2022 for ZAR 65.5 million (approximately US\$ 3.7 million);
- As announced on 14 November 2022, Kropz entered into a new conditional convertible equity facility of up to ZAR 550 million (approximately US\$ 31.6 million) (“ZAR 550 Million Equity Facility”) with ARC Fund to progress the ramp-up of operations at Elandsfontein and provide working capital to the Company for general corporate purposes and further funding of early site works, at the Hinda project in the Republic of Congo - which was approved by Kropz shareholders and became unconditional on 30 November 2022;
- The first drawdown on the ZAR 550 Million Equity Facility occurred on 1 December 2022 for ZAR 307.5 million (approximately US\$ 18.1 million). After set-off of Loan 2 and Loan 3 of ZAR 247.5 million, Kropz received an amount of ZAR 60 million (approximately US\$ 3.5 million);
 - The second drawdown on the ZAR 550 Million Equity Facility of ZAR 135 million (approximately US\$ 7.9 million) occurred on 22 December 2022; and
- As announced on 7 December 2022, Michelle Lawrence resigned as chief operating officer of Kropz and as an executive director of Kropz Elandsfontein with effect from 1 January 2023. Mark Maynard was appointed chief operating officer with effect from 1 January 2023.

Elandsfontein

- The focus at the Elandsfontein project continued to be the production ramp-up of the mine and beneficiation plant;
- 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 BNP's requirement for Kropz to bridge the funding shortfall in respect of Kropz Elandsfontein as announced on 1 September 2021;
- During 2022, further delays were experienced in the commissioning ramp up of operations at Elandsfontein resulting in further funding shortfalls due to:
 - The requirement to re-engineer parts of the fine flotation circuit as proposed by the vendor;
 - The lack of operator expertise and experience; and
 - Mining rates and associated delivery of ore to the plant being compromised due to the presence of competent banks of hard material within the orebody, that were previously unknown. Subsequently, the vendor has provided design changes which were implemented at the plant, additional operator training was conducted and new equipment was brought to site to facilitate mechanical breaking which has been effective to date, but alternative methods are being considered;
- To quantify and assess the impact of this hard material on the future mine plan, an infill drilling programme was undertaken;
- Independent geological consultants were commissioned which provided an updated JORC (2012) compliant Mineral Resource Estimate ("MRE"):
 - Updated MRE now caters for improved geotechnical characteristics of the ore in addition to the grade characteristics;
 - Increase in total phosphate resources at Elandsfontein to 106.58 million tonnes ("Mt");
 - Downgrade of much of the previously Measured resource to Indicated, and downgrade of previously Indicated resources to Inferred. Total Measured and Indicated resource tonnage has reduced by approximately 76%. The updated resource considered core recovery, average drill hole spacing and sample count;
 - Grade has improved, with the refined lithological contacts and improved estimates from the infill drilling and pit sampling programme. This correlates well with the current pit intersections; and
 - Proven reserve of 7.31 Mt at 10.71% P₂O₅.

Hinda

- Since 31 December 2021, management has been reviewing 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;
- Development alternatives are being considered and potential funding options investigated; and
- Potential funding solutions for the development of Hinda are being evaluated and considered.

Key developments post the financial year end

Corporate

- As announced on 16 January 2023, Kropz appointed Louis Loubser to the board of the Company as Chief Executive Officer ("CEO") and executive director;
- The third drawdown on the ZAR 550 Million Equity Facility of ZAR 60 million (approximately US\$ 3.5 million) occurred on 25 January 2023;
- The fourth drawdown on the ZAR 550 Million Equity Facility of ZAR 40 million (approximately US\$ 2.2 million) occurred on 27 February 2023; and

- Management is in the process of refinancing the BNP facility (outstanding amount US\$ 18,750,000) and currently expects that a replacement loan will be in place in the third quarter of 2023 before the expiry of the facility.

Elandsfontein

- First bulk shipment and sale of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein was announced on 23 January 2023;
- A second shipment and sale of 20,000 tonnes of phosphate concentrate from Kropz Elandsfontein was announced on 14 March 2023;
- During April 2023 two further shipments of 33,000 tonnes and 11,000 tonnes were sold and a further 33,000 tonnes in June 2023;
- As announced on 14 March 2023, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facilities (“Loan 4”) to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 25 million (approximately US\$ 1.4 million) on Loan 4 was made on 14 March 2023. Loan 4 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 4 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly; and
- A second draw down on Loan 4 for an amount of ZAR 90 million was made on 28 March 2023, a third drawdown of ZAR 30 million was made on 25 April 2023 and a fourth draw down of Loan 4 was made on 23 June 2023.

Hinda

- Potential funding solutions for the development of Hinda are being evaluated and considered;
- Continued engagement with local government regarding project development; and
- Reduced sized project is currently being assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it.

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

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About Kropz Plc

Kropz is an emerging African phosphate producer and developer with 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.

Chairman's Statement

Dear shareholder,

In the course of 2022, we faced significant challenges in achieving desired production levels at Elandsfontein. Thanks to our major shareholder, African Rainbow Capital ("ARC") additional funding was provided to meet these challenges.

On 16 January 2023, we were delighted to announce that appointment of Louis Loubser, a very experienced mining operations executive, as the Chief Executive Officer of the Company. In March 2023 also ARC agreed to provide a ZAR 285 million bridge loan facility to Kropz Elandsfontein.

Since early 2023, production has improved at Elandsfontein, though not yet to planned levels, and we were delighted to announce the first bulk shipment of phosphate rock was made in January as well as a further 5 shipments that have been made in 2023 to date. The focus now is on achieving further sustainable increases in production and grade.

The Board thanks all the members of the executive, management, the teams on the ground, contractors, auditors and advisers for all their efforts and assistance during the year. I would also like to thank Mark Summers, the former CEO, for his service to the Company and wish him well for his future endeavours. We once again want to thank our major shareholder, ARC, for their further commitment and continued support.

Lord Robin William Renwick of Clifton
Non-executive Chairman
28 July 2023

Strategic Report for the year ended 31 December 2022

Market overview

Phosphate rock prices have dropped significantly since their peak in 2022 following the invasion of Ukraine on 24 February 2022. As of 2023, the market for phosphate rock has remained relatively stable, with modest price increases observed in the first few months of the year. The demand for phosphate continues to be strong from the agricultural sector, particularly from key markets such as the US, Brazil, China and India. There is a growing need for increased food production in India, China and especially Africa. However, there are still concerns around supply constraints impacted by the war in Ukraine and other geopolitical events. Lastly, the US is expected to become an increased importer of phosphate rock as supplies dwindle in central Florida and North Carolina. As a result, some price volatility is expected to continue over the near term. However, considering the macro economic drivers, the overall market is expected to remain relatively stable with modest price increases over the medium to long term.

Elandsfontein rock concentrate is expected to be able to enjoy a slight premium in pricing due to its low cadmium, low calcium and P₂O₅ ratio as well as advantageous freight to Asia, Australia and New Zealand.

Significant changes in the state of affairs

Share issues

The issued share capital at 31 December 2021 was 909,571,975 ordinary shares (2020: 558,627,558).

On 18 January 2022, Kropz announced the issue of 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 as announced on 4 August 2020.

On 7 March 2022, Kropz announced the fifth and final drawdown of US\$ 200,000 on the US\$ 5 million equity facility with the ARC Fund, Kropz's major shareholder ("Further Equity Facility"), and this was settled by the issue of 3,474,536 new ordinary shares at the issue price of 4.20 pence per share to ARC on 10 March 2022. In addition, in accordance with the Original Equity Facility, any fees associated with the bank guarantee provided by ARC, would be settled by the issue of new ordinary shares to ARC. ARC notified the Company that the final guarantee fees due to ARC amounted to US\$ 311,733 and was settled by the issue of 3,971,712 new ordinary shares at the issue price of 6.75 pence per share to ARC on 10 March 2022.

The issued share capital at 31 December 2022 was 923,718,223 ordinary shares (2021: 909,571,975).

Projects

Elandsfontein overview

Elandsfontein hosts the second largest phosphate deposit in South Africa, after Foskor's operation at Phalaborwa. Elandsfontein has been developed with the capacity to produce circa one million tonnes per annum ("Mtpa") of phosphate rock concentrate from a shallow mineral resource which is expected to be sold on both local and international markets. The Company owns 74% of the issued share capital of Kropz Elandsfontein, the company which owns the Elandsfontein project.

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

Prior to 2022, in excess of US\$ 170 million was spent at Elandsfontein on project capital expenditure to construct the original and optimisation phases of the processing plant and infrastructure, initial mining and capitalised working capital. Following a suspended commissioning process in 2017, Kropz Elandsfontein conducted further geological drilling and a metallurgical test programme to define a robust process circuit, to cater for the increased variability of ore present within the Elandsfontein resource. As a result of competent banks of hard material encountered in the pit, further drilling was conducted in 2022 and consequently a revised mineral resource estimate was produced as further discussed below.

Activity for the year ended 31 December 2022

The 2021 construction activities at Elandsfontein had largely been completed and mining activities which recommenced in October 2021 resulted in first ore being introduced into the plant in December 2021 with first production of phosphate rock concentrate (“Concentrate”) being achieved in March 2022. The focus for the 2022 financial year, which continued into 2023, was to fully commission the plant, remove bottlenecks and establish specific operating parameters for the production ramp up phases towards steady state capacity.

Mining and geology

Delays were experienced in the ramp-up of operations at Elandsfontein, largely being driven by continued 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.

Following additional infill drilling, relogging of historical cores and mapping of ore exposures as intersected within the current mining horizon, an updated JORC (2012) compliant Mineral Resource Estimate (“MRE”) was announced on 10 January 2023.

Based on the current mining conditions, on-site learnings and revised geological interpretations, it was considered prudent that the mineral resource be reclassified.

The updated Elandsfontein resource is defined below, on a total (gross) and net attributable basis.

ELANDSFONTEIN RESOURCE STATEMENT AS OF 15 DECEMBER 2022								
CLASS	TONNES (Mt)	P ₂ O ₅ (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	MgO (%)	Fe ₂ O ₃ (%)	CaO (%)	CON-TAI NED P ₂ O ₅ (Mt)
Measured	9.40	11.21	65.58	1.13	0.16	0.90	16.10	1.05
Indicated	9.62	7.90	75.21	1.17	0.12	0.86	11.24	0.76
Total Measured & Indicated	19.02	9.54	70.45	1.15	0.14	0.88	13.64	1.81
Inferred	87.56	7.68	73.92	1.20	0.16	1.03	11.15	6.72
Total Resources	106.58	8.01	73.30	1.19	0.16	1.00	11.59	8.54
NETT ATTRIBUTABLE (74% TO THE COMPANY)								
Measured	6.96	11.21	65.58	1.13	0.16	0.90	16.10	0.78
Indicated	7.12	7.90	75.21	1.17	0.12	0.86	11.24	0.56
Total Measured & Indicated	14.07	9.54	70.45	1.15	0.14	0.88	13.64	0.67
Inferred	64.79	7.68	73.92	1.20	0.16	1.03	11.15	4.98
Total Resources	78.87	8.01	73.30	1.19	0.16	1.00	11.59	6.32
<i>Note: All numbers are reported to two significant figures. Rounding may cause minor discrepancies to the numbers reported in this table.</i>								

The resource estimate was updated after including the geological information contained in 30 additional sonic boreholes with recoveries above 90%. The additional drillholes have provided significant insight in terms of the geological interpretation, mineralised lithologies and data confidence. Differences are further seen in the elevation with regards to the top contact of mineralisation. The 2022 modelling further utilised implicit modelling which created additional refined contacts between lithologies. The optimised modelling has contributed to improved grades over the more accurately estimated areas and will improve planning in terms of anticipating mineralised horizons, and lithology types which are not always visibly distinguishable.

DIFFERENCE 2018 VS 2022 RESOURCE DECLARATION								
CLASS	TONNES (Mt)	P ₂ O ₅ (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	MgO (%)	Fe ₂ O ₃ (%)	CaO (%)	CONTAINED P ₂ O ₅ (Mt)
Total Measured and Indicated 2022	19.02	9.54	70.45	1.15	0.14	0.88	13.64	1.81
Total Measured and Indicated 2018	77.80	8.30	74.90	1.17	0.17	0.93	11.86	3.60
Difference Measured and Indicated	-58.78	1.24	-4.45	-0.02	-0.03	-0.05	1.78	-1.79
Inferred 2022	87.56	7.68	73.92	1.20	0.16	1.03	11.15	6.72
Inferred 2018	23.30	5.48	82.50	1.15	0.13	0.95	7.50	1.28
Difference Inferred	64.26	2.20	-8.58	0.05	0.03	0.08	3.65	5.44
Note: All numbers are reported to two significant figures. Rounding may cause minor discrepancies to the numbers reported in this table.								

The 2022 reserve estimate was impacted by the reclassification of the resource estimate. Reserves are estimated at 17.42 Mt at a P₂O₅ grade of 9.19% of which 7.31 Mt is proven at 10.71% P₂O₅, where previously no proven tonnes were stated in 2018.

ELANDSFONTEIN RESERVE STATEMENT AS AT 15 DECEMBER 2022			
CLASSIFICATION	TONNES (Mt)	P ₂ O ₅ (%)	CONTAINED P ₂ O ₅ (Mt)
Proven	7.31	10.71	0.78
Probable	10.11	8.09	0.82
Total Reserve	17.42	9.19	1.60
NETT ATTRIBUTABLE (74% TO THE COMPANY)			
Proven	5.41	10.71	0.58
Probable	7.48	8.09	0.61
Total Reserve	12.89	9.19	1.18

There is a 46 Mt difference between the 2018 and 2022 estimates, which is mainly due to the downgrade in the measured and indicated resource categories in the 2022 resource estimate.

DIFFERENCE 2018 VS 2022 RESERVE DECLARATION			
RESOURCE CLASSIFICATION	TONNES (Mt)	P₂O₅ (%)	CONTAINED P₂O₅ (Mt)
Total Proven 2022	7.31	10.71	0.78
Total Proven 2018	-	-	-
Total Probable 2022	10.11	8.09	0.82
Total Probable 2018	63.63	9.60	6.11
Total Proven and Probable 2022	17.42	9.19	1.60
Total Proven and Probable 2018	63.63	9.60	6.11
Difference Proven and Probable	-46.21	-0.41	-4.51
Note: All numbers are reported to two significant figures. Rounding may cause minor discrepancies in this table			

Plant and processing

Hot commissioning (C4) activities and production ramp up was undertaken during 2022. Plant stability was difficult to achieve due to the influence of varying quantities of ultra fine material contained in the ore and poor flotation conditioning.

Despite power generation issues in South Africa causing intermittent load shedding, we were able to mitigate the adverse effects on our production by utilizing emergency backup generators on several occasions. However, it is important to note that this has led to increased operating costs.

Environmental Management Programme (“EMPr”)

The Department of Mineral Resources and Energy (“DMRE”) approved the Kropz EMPr on 20 November 2015. Due to transitional provisions in terms of Section 12 (5) of the National Environmental Act (“NEMA”), as amended, DMRE directed Kropz during 2016 to amend its EMPr to bring it into line with amendments in NEMA. Since there was an appeal against the DMRE having approved the Mining Right, this only became possible after the Minister of the DMRE dismissed the appeal against the Mining Right on 14 December 2017.

The amendments to the EMPr were subsequently made during 2020. The updated EMPr was submitted to the DMRE in September 2020. On 26 March 2021, management received the approved updated EMPr for the Elandsfontein project from the DMRE. The updated EMPr strongly emphasizes the adherence to the required rehabilitation measures.

Offsets

In November 2019, the DMRE directed Kropz to carry out a further Offset Study to be done by an independent specialist which was subjected to a thirty-day public participation process (“PPP”).

In July 2020, Kropz Elandsfontein submitted a revised Offset Study to the DMRE. Herein, Management put forward its objections regarding the 2015 Offset Study originally submitted to the DMRE and contended that the 2015 Offset Study did not adequately consider Kropz’s effective innovative rehabilitation measures already demonstrated.

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.

It is understood that several appeals against the DMRE’s decision were lodged with the Department of Forestry, Fisheries and the Environment, and the outcome of this matter remains pending.

Water use licence (“WUL”)

An appeal against the Elandsfontein WUL was heard from 1 to 4 February 2021. Following four sittings on the matter, where final evidence was presented to the Water Tribunal, it was announced on 9 September 2021, that the appeal was dismissed.

Dewatering of the aquifer continued in accordance with the updated ground water management plan and monitoring activities remain in line with the WUL conditions.

Safety, health and environment

As at 31 December 2022, the Lost Time Injury Frequency Rate (“LTIFR”), per 200,000 man hours, was 1.290 (2021 - 0.698). The increase in LTIFR is related to four Lost Time injuries as compared to three in the previous reporting period of which one was a reportable injury. No major environmental incidents were reported during the year. Kropz Elandsfontein held various wellness campaigns during 2022, which included a blood donation drive, HIV and AIDS awareness and general health (i.e., blood pressure).

Corporate social responsibility (“CSR”) and sustainability

The execution of the five-year Social and Labour Plan (“SLP”), aligned with the 2018 South African Mining Charter, and approved by the DMRE, remains on track. During the reporting period, Kropz Elandsfontein has commenced with the development of the next iteration of the SLP and submitted it in Q4 of 2022. The DMRE requested minor amendments, which were submitted in March 2023 for final approval. The plan includes progressive improvements to obtain compliance on the employment equity and procurement objectives of the South African Mining Charter scorecard.

The following strategic focus areas have been identified for the updated SLP:

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

Through collaboration with the local community forum, the execution of various community development projects continued during 2022 and the selection of new projects formed part of the 2022 - 2026 SLP. The Saldanha Bay Municipality (“SBM”) confirmed alignment with their Infrastructure Development Plan (“IDP”) and has endorsement of the various SLP projects.

SLP LED Projects

Education support

During 2022 Kropz Elandsfontein continued to support the Hopefield Primary School teacher’s programme. Infrastructure upgrades were done at two Early Childhood Development (“ECD”) centres in Hopefield. One of the upgrades was required to enable final registration of the ECD centre. For the 2022-2026 SLP, Education will remain a key focus area.

Disabled project

During 2022, with the assistance of a local NGO, a needs analysis was carried out for various disabled individuals in Hopefield. This identified necessary infrastructure upgrades which included the installation of handrails, wheelchair pathways etc. Fourteen recipients within the Hopefield community benefited from this project.

Hopefield Thusong community centre upgrade

The infrastructure upgrade of the community centre included the addition of two new rooms, a kitchen and bathroom facilities. The handover of the Thusong Centre took place at an official handover ceremony with the SBM mayor during 2022.

Ad-Hoc CSR Projects

Through engagements with various stakeholders, Kropz Elandsfontein supported the following initiatives and organizations:

- 1) Schools ECO Club (Annual Science camp and ECO awards)
- 2) Silwerblare pensioners social club
- 3) Universal Rugby club (Infrastructure and annual awards)
- 4) Mfesane (Disabled day)
- 5) All saints Anglican church (Annual event)

Stakeholder Engagement

Kropz Elandsfontein continues to engage with the local community on a regular basis and held a community meeting during 2022 to provide an update on the state of the business and various other issues. Kropz Elandsfontein also issued quarterly newsletters to the community to keep them updated on the business as well as various initiatives and projects.

Post reporting period events

Transport and logistics

As announced on 23 November 2021, Transnet provided Kropz Elandsfontein with a draft port access agreement to support the long-term export of Elandsfontein's phosphate rock through the port of Saldanha. Final contract negotiations are underway. An interim agreement, with tariffs and a forecast of export quantities, is in place while the agreement is being finalised. Exports through Cape Town will potentially be required for no more than 350,000 tonnes of Elandsfontein's eventual production of approximately 1 million tonnes per annum, if capacity through the port of Saldanha is unavailable for a limited period of time.

Sales

The first bulk shipment and sale of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein was announced on 23 January 2023 with a second shipment and sale of 20,000 tonnes of phosphate concentrate as was announced on 14 March 2023. During April 2023, two further shipments of 33,000 tonnes and 11,000 tonnes were sold and a further 33,000 tonnes in June 2023. These exports occurred through the port of Saldanha.

Hinda

The Hinda project, currently 100% 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% through the participation of the Republic of Congo ("RoC") government. Hinda consists of a sedimentary hosted phosphate deposit located approximately 40 km northeast of the city of Pointe-Noire. The project is fully permitted.

Prior to acquisition by Kropz, more than US\$ 40 million was spent on project development, including drilling, metallurgical test work and feasibility studies. Since its acquisition by Kropz, a further US\$ 4.7 million has been spent.

Activity for the year ended 31 December 2022

Kropz has been reviewing the Hinda Updated Feasibility Study (“Updated FS”) and the financial model as prepared by Hatch.

Highlights of the Updated FS

- The phased approach studied will initially deliver 1 Mtpa phosphate rock concentrate through the existing Port of Pointe-Noire (“Phase 1”), expanding to 2 Mtpa phosphate rock concentrate through a new port facility at Pointe Indienne (“Phase 2”);
- The phased approach is intended to reduce up-front execution capital requirements by making use of existing port facilities, thus limiting the first phase to 1 Mtpa phosphate rock concentrate;
- The Hinda Updated FS demonstrates low technical and mining risk and attractive project economics;
- The mineral resource is unchanged from the 2018 Competent Persons Report, with 201 million tonnes of measured mineral resource at 11.6% P₂O₅ and 381 million tonnes of indicated mineral resource at 9.8% P₂O₅;
- The Hinda Updated FS delivers a minimum 28-year life of mine (“LOM”), extracting 31 million tonnes of ore in Phase 1 and 214 million tonnes of ore in Phase 2;
- Estimated Phase 1 capital cost is US\$ 355 million, Phase 2 capital cost is US\$ 310 million (in real 2021 terms), with a nominal, peak funding requirement of US\$ 392 million, as the first phase cash flows supports the subsequent Phase 2 expansion capital expenditure;
- Phase 1 operating cost on a free-on-board (“FOB”) basis is US\$ 63 per tonne phosphate rock concentrate, and Phase 2 operating cost is US\$ 70 per tonne phosphate rock concentrate, inclusive of mining royalties;
- Using a December 2021 price forecast received from CRU on a FOB Pointe-Noire basis, the real LOM earnings before interest and taxation margin is US\$ 65 per tonne of phosphate rock concentrate;
- There is an estimated three-year execution schedule; and
- Base case, nominal internal rate of return (“IRR”) of 19.2% and base case, ungeared, nominal net present value (“NPV”) (at 11.1% discount rate) of US\$ 397 million.

The Hinda Updated FS included detailed engineering of the open pit mine, associated mine dewatering and surface water management, the beneficiation plant and all associated infrastructure, tailings storage facilities and water storage dam, a gas fired power plant and gas supply pipeline, a 30 kV overhead line (“OHL”) to support construction and early works, mine access roads, an accommodation camp and port infrastructure. Costs and schedules associated with procurement, construction management and commissioning are also included.

Hatch delivered a robust execution strategy, which provides high confidence in achieving execution success. The beneficiation plant employs standard and proven technologies, and the design is based on extensive laboratory and pilot-scale test work completed between 2013 and 2016.

Further Opportunities

A mine plan was run scheduling the immediate commencement of Phase 2 production, i.e. 2 Mtpa of phosphate rock concentrate to be exported through a new port facility. This opportunity led to a conservative increase in ungeared NPV (at 11.1% discount rate) to US\$ 543 million with an IRR of 21%. The estimated capital cost for the immediate commencement of Phase 2 is US\$ 618 million, based on the study work completed. If this option is studied further, it will be possible to further optimise both capital and operating costs. Collaboration with other market players to share in costs of infrastructure such as port, power and roads are also an opportunity to consider.

Further opportunities also exist to enter into a long-term power purchase agreement with one of several companies already established in-country. The capital cost of the gas fired power plant would therefore be removed from the estimate, although this would be offset by an increase in power costs.

A number of other capital cost optimisation initiatives have been identified for investigation ahead of detailed design which should further improve project economics.

Updated ESIA

The project has an approved environmental compliance certificate issued in April 2020, valid for 25 years. As a result of the modifications to the project in the Hinda Updated FS, the ESIA has been updated to comply with local regulations. The RoC Ministry of Environment has approved the Updated ESIA and the project has a valid environmental compliance certificate.

Mining Investment Agreement (“MIA”)

The MIA, which sets out the legal and fiscal framework under which Cominco S.A. would invest and operate within the RoC was signed by all parties on 10 July 2018 and ratified by the RoC Government on 27 December 2021.

Déclaration d’Utilité Publique (“DUP”)

The Ministry of Land Tenure and Public Domain is responsible for managing land tenure and legal land rights in RoC. The land commission has evaluated the land usage requirements of the Hinda Project and liaises with legal property owners and traditional land users to determine, based on the legislation, a baseline for land use to be used for compensation and relocation.

The main declaration of public utility (DUP) process has covered an area of 30 km². Public consultations were organized by Cominco and CM2E. Land surveys were carried out from end of November 2020 until mid-January 2021, followed by an optimisation session in line with the Updated FS. The final report is still to be finalised.

The MIA states that expropriation costs and compensations are to be borne by the government of the RoC and that Cominco can prefinance some or all of the costs.

Mineral resources

The Hinda resource is defined below, on a total (gross) and net attributable basis. No additional drilling was conducted in 2022.

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

Class	Quantity (Mt)	Grade (%P ₂ O ₅)	Grade (%Al ₂ O ₃)	Grade (%MgO)	Grade (%Fe ₂ O ₃)	Grade (%CaO)	Grade (%SiO ₂)	Contained P ₂ O ₅ (Mt)
Gross								
Measured	200.5	11.6	3.7	3.8	1.4	21.8	42.7	23.3
Indicated	380.9	9.8	5.0	3.3	1.8	17.6	48.5	37.3
Inferred	94.4	7.5	4.8	3.6	1.7	15.8	52.2	7.1
Total	675.8	10.0	4.6	3.5	1.7	18.6	47.3	67.7
Net Attributable (90% attributable to the Company)								
Measured	180.5	11.6	3.7	3.8	1.4	21.8	42.7	20.9
Indicated	342.8	9.8	5.0	3.3	1.8	17.6	48.5	33.6
Inferred	85.0	7.5	4.8	3.6	1.7	15.8	52.2	6.4
Total	608.3	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

In line with the MIA and its commitments, Cominco S.A. continued its interactions with the local communities associated with the Hinda project. On-going projects include the usage of project site manpower, the funding of teachers at local schools, educational support for vulnerable children, specific projects for woman, water boreholes and food security projects through the establishment of orchards, vegetable gardens and small-scale agriculture projects.

Post reporting period events

Prior to commencing Phase 1, a reduced sized test project is currently being assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it. The project will focus on the mining and processing the section of the resource which does not require flotation.

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 to steady-state production and profitability whereafter the development of Hinda will be prioritised.

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 adding downstream beneficiation opportunities, where the Board believes shareholder value could be increased.

Objectives and outlook for the year ahead

Objectives

Kropz

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 further increase the ramp-up of operations to achieve steady state while optimising process recoveries and mining costs. Optimised production capacity is expected to be determined over the next 12 months and will be based on the maximum profitability.

Hinda

Further to the completion of the Hinda Updated FS in December 2021, management is working to secure funding to commence with project development in accordance with the MIA.

Outlook

Kropz's Elandsfontein project delivered first production in early 2022. The Company is confident in the inherent value contained within each of its core assets. Global phosphate rock demand and pricing is robust, and the work being carried out will provide Kropz with 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 2022

Summary of key financial indicators for the year:

- Impairment in the value of mine property, plant and equipment and inventory at Kropz Elandsfontein of US\$ 93 million;
- Cash and cash equivalents of US\$ 2 million (2021: US\$ 2 million)
- Various equity and debt raises as set out in "Highlights" on page 1;
- Trade and other payables of US\$ 7 million (2021: US\$ 4 million); and
- Property, plant, equipment and development and exploration assets, after the impairment above, of US\$ 111 million (2021: US\$ 180 million).

Key performance indicators

The Company is a mining and development entity whose assets comprise a mine and plant in the ramp-up phase in South Africa and an exploration asset in the RoC. Currently, minor revenues have been generated from local sales in South Africa during 2022 with first bulk sale in January 2023. The key performance indicators for the Company will be achieving steady state production and the advancement of the Hinda project.

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.

Access to financing

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

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

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

The Group's ability to obtain future financing will depend in part on its ability to achieve positive cash flows from its current operations within time and budget, an extended commissioning ramp-up period will have an adverse impact on the business and financial performance of the Group. Refer to note 2a to the Group financial statements which explains that the Group is reliant on revenue from production ramp up and expect to require additional financing and a material uncertainty exists that may cast significant doubt on the Group's ability as a going concern.

Dependence on maintenance of good relationship with regulatory and governmental departments

The Group relies on the maintenance of good relationships with regulatory and governmental departments in South Africa and the RoC. Failure to maintain these relationships may adversely impact the Group's performance.

Ramp-up of Elandsfontein

The Elandsfontein project may require further funding to achieve steady state operations in Q4 2023. Any delays in securing of additional funding will have an adverse impact on the business and financial performance of the operation. There can be no guarantee that implementation of the recently completed modifications identified by the Company and its technical consultants will result in a successful long-term operation of the mine. Failure to achieve ramp-up of the Elandsfontein project, or a significant delay in the completion of ramp-up, could result in a material adverse impact on the business, and the financial performance and position of the Group.

Access to infrastructure

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

Reliable roads, 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 development of a mine or project.

Limited or reduced port capacity at the Port of Saldanha, 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 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.

Excessive overburden stripping, non-economical mining of ore, ore losses and the dilution of feed grade to the processing facility could all have an adverse impact on the processing operations. Furthermore,

high variability in the daily feed grades could also have an adverse impact on operations and financial performance of the Group.

Any further unscheduled interruptions in the Group's operations due to mechanical, electrical 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. Furthermore, any interruption or disruption in the supply chain of key production chemicals sourced from international suppliers could materially adversely affect the production output from the mine.

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.

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 and mineral processing 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, ore variability, 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, ore variability, geological and hydrogeological risks could have a material adverse impact on the safety, business and financial performance of the Group's operation.

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.

Enforcement of contractual rights in the RoC

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% of the amount of registration fees due. Further, the tax administration tends to disregard any payment convention 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.

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 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 2032. 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 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 and RoC. 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.

Environmental, social and governance (“ESG”) and climate change

As the focus on ESG increases, there are increasing environmental, social and governance risks that may affect the Group’s ability to raise capital; obtain permits; work with communities, regulators and Non-Governmental Organisations (“NGOs”) and/or protect its assets from impairments.

At Kropz, we acknowledge that our business activities affect the society and environment around us, and that we have an opportunity and an implicit duty to ensure this impact is positive. We also believe that efficient and sustainable operations are a necessity for long-term value creation.

We are committed to taking responsibility when conducting our business by integrating ESG factors into our investment decisions and operational processes. Given the stage of development of Kropz, social initiatives have been limited to those outlined above at Elandsfontein.

Climate change could potentially affect the demand for fertilisers by impacting global agricultural activity. This in turn could affect the demand for fertiliser feed materials, and could cause events such as prolonged droughts that could reduce the availability of water at the different project sites.

As the Kropz operations develop, more initiatives will be undertaken on the ESG front and progress on these will be reported on in the next annual report.

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 43 to 54.

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
<p>Equity investors and equity partners</p> <p>All substantial shareholders that own more than 3% of the Company's shares are listed on page 37 of the Directors' Report.</p> <p>The Company owns 74% of Kropz Elandsfontein, the owner of the Elandsfontein project in South Africa. 26% is owned by ARC.</p> <p>The Company owns 70% of Elandsfontein Land Holdings (Pty) Ltd ("ELH"), the owner of the Elandsfontein mining property in South Africa. 30% is owned by ARC.</p> <p>Kropz Elandsfontein may require further funding to complete the ramp up at Elandsfontein. Cominco Resources requires further funding to develop Hinda.</p> <p>As such, existing equity investors and potential investment partners are important stakeholders.</p>	<p>Access to capital is of vital importance to the long-term success of the business to enable the development of 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.</p> <p>Through selected engagement activities, the Company strives to obtain investor buy-in into its strategic objectives detailed on page 13 and the execution thereof.</p> <p>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.</p> <p>During the course of 2022, the percentage of shares held in public hands decreased and the overall daily volume of shares traded increased.</p>	<p>The key mechanisms of engagement included:</p> <p>Substantial shareholders</p> <ul style="list-style-type: none"> • 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. <p>Investment and equity partners</p> <ul style="list-style-type: none"> • 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. <p>Prospective and existing investors</p> <ul style="list-style-type: none"> • 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. 	<p>The Company engaged with investors on topics of strategy, governance, project updates and performance.</p> <p>Please see "Dialogue with shareholders" section of the Directors' report on page 37.</p> <p>The CEO presented at a number of investor roadshows, conferences and one on one meetings.</p> <p>During 2022, the Company secured the ZAR 177 Million Equity Facility, ZAR 121.5 million and ZAR 126 million bridge loans as well as a further ZAR 550 million Equity Facility with ARC.</p> <p>In terms of the ZAR 200 Million Equity Facility and the additional equity facilities, ARC will potentially be able to acquire a total further 8.3% interest in the Company, eventually taking its 83.2% interest at December 2022, to 91.5%.</p> <p>At the Company's general meeting held on 30 May 2022 all resolutions were duly passed with 100% of the votes cast in favour of resolutions proposed.</p> <p>At the Company's AGM held on 30 June 2022 all resolutions were duly passed.</p> <p>At the Company's general meeting held on 30 November 2022 all resolutions were duly passed with at least 98% votes in favour of resolutions</p>

			proposed.
<p>Funding providers Kropz Elandsfontein has a US\$30 million, fully utilised, debt facility with BNP that commenced in September 2016.</p>	<p>Access to funding 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.</p> <p>Various contractual conditions of the debt finance require regular updates on ongoing progress.</p> <p>Ongoing support from potential new debt providers is required to achieve the construction of Hinda.</p>	<ul style="list-style-type: none"> • 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. 	<p>In May 2020, the amended facility agreement was signed between Kropz Elandsfontein and BNP, thereby moving the first principal debt repayment to 31 December 2022. The first quarterly instalment of US\$ 3.75 million was made during December 2022.</p>
<p>Employees The Company has 14 South African, 2 UK and 5 RoC employees, including its Directors.</p> <p>Two of the Directors are UK residents, 1 Monegasque, 1 American and 2 are South African resident Directors.</p> <p>The CEO during the year under review was South Africa-based.</p>	<p>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.</p> <p>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.</p> <p>The Board have identified that reliance on key personnel is a known risk.</p>	<p>General employees</p> <ul style="list-style-type: none"> • The Company maintains an open line of communication between its employees, senior management and the Board. • 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. <p>South African employees</p> <ul style="list-style-type: none"> • 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. <p>Congo employees</p> <ul style="list-style-type: none"> • Senior management regularly visit the operations in RoC and engage with its employees through one 	<p>Employees The Board met with management to discuss the long-term remuneration strategy.</p> <p>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.</p> <p>Board reporting has been optimised to include sections on engagement with employees.</p> <p>South African 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.</p> <p>Meetings were held with staff to provide project updates and ongoing business objectives.</p>

		on one and staff meetings, employee events, project updates, etc.	
<p>Governmental bodies The Company is impacted by national, regional and local governmental organisations in South Africa and the RoC.</p>	<p>Regular engagement with organs of state at national, regional and local levels is required to keep stakeholders informed and supportive of project developments.</p>	<p>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.</p> <p>The Company engages with the relevant departments of the RoC government in order to progress the development of Hinda.</p>	<p>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.</p> <p>The Company has received its South African requisite environmental and land use permits.</p> <p>In addition, the Company has received the required permits to develop Hinda, subject to securing funding for these activities.</p>
<p>Community The local communities adjacent to Elandsfontein in South Africa and Hinda in the RoC.</p>	<p>The Company engages with the local community to obtain acceptance for future development plans.</p> <p>Community engagement will inform better understanding and decision making.</p> <p>The local community in Hopefield and the greater Saldanha Bay municipal area provides employees for Elandsfontein and its contractors for operations. Similarly, the communities surrounding Hinda will provide employees to the project and contractors during construction and operation.</p> <p>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.</p>	<ul style="list-style-type: none"> • The Company has community liaison officers in South Africa and RoC; • The Company has identified all key stakeholders within the local community in the reporting period; • Elandsfontein management has open dialogue with the local government and community leaders regarding the project development; • Similarly, Hinda management are actively engaging with local government and communities directly impacted by the Hinda project; 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 production. 	<p>The Company has ongoing engagements with the local community as part of its sustainability initiatives.</p> <p>Stakeholder identification has enabled the Company to ensure that representatives of all stakeholder groups may participate in the community engagement programme.</p>
<p>Suppliers During the Elandsfontein operations phase, the</p>	<p>Kropz's contractors and suppliers are fundamental to ensuring that the</p>	<ul style="list-style-type: none"> • Management continue to work closely with appointed contractors, 	<p>See page 10 of the strategic report for an update on the potential transport and</p>

<p>Company will be using key suppliers under commercial contracts for the operations of mine, plant, road and port logistic operators and laboratory service providers, all of whom are reputable and established service providers.</p> <p>The Company also relies on a number of supply and maintenance contracts to ensure ongoing operations. At a community level, the Company has also partnered with a number of SMME companies.</p>	<p>Company can meet the ramp-up and steady state operating objectives.</p> <p>Using quality suppliers ensures that as a business, the high performance targets can be met.</p>	<p>consultants and suppliers to manage and optimise deliverables; and</p> <ul style="list-style-type: none"> • One on one meetings between management and suppliers; • Vendor site visits and facility audits to ensure supplier is able to meet requirements; and • Contact with procurement department and accounts payable. 	<p>logistics uncertainties facing the Group.</p> <p>Smaller local vendors were engaged at a broader level to better align with company objectives.</p>
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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 2022

A third drawdown of ZAR 40 million occurred on 16 March 2022 and the fourth drawdown of ZAR 33 million occurred on 26 April 2022 of the ZAR 200 Million Equity Facility. The ZAR 200 Million Equity Facility is fully drawn at the date of this annual report.

Convertible loan facility for ZAR 177 million from ARC, entered into on 11 May 2022

As announced on 27 April 2022, a funding shortfall of approximately US\$ 11 million (approximately ZAR 177 million) was expected due to slower than expected progress in the ramp up of operations at Kropz Elandsfontein, production of sufficient phosphate rock concentrate for the first bulk sale would move to later than originally expected.

The ZAR 177 Million Equity Facility was in addition to the ZAR 200 Million Equity Facility, which ARC and the Company entered into in February 2021.

As announced on 27 April 2022, Kropz and ARC entered into a further ZAR 25 million (approximately US\$ 1.60 million) bridge loan facility (the "Loan 1") to meet immediate cash requirements at Elandsfontein at the end of April 2022. When the ZAR 177 Million Equity Facility became unconditional, Loan 1 was offset against it leaving ZAR 152 million available for future drawdown.

The ZAR 177 Million Equity Facility comprises a total commitment of up to ZAR 177 million provided by ARC, which was to be drawn down subject to ARC's discretion.

At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount would, at the election of ARC, either be:

- In the form of the conversion into ordinary shares of 0.1 pence each in the Company and issued to ARC, at a conversion price of 9.256 pence per ordinary share each, representing the 30-day VWAP on 4 May 2022, and at a fixed exchange rate of ZAR 1 = GBP 0.0504 ("Further Conversion"); or
- Payable in cash by the Company at the end of the term of the ZAR 177 Million Equity Facility.

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, a market operated by London Stock Exchange plc (“AIM”).

The first drawdown of ZAR 103.5 million was made on 2 June 2022.

The ZAR 177 Million Equity Facility will bear interest at 14% per annum and will be compounded monthly and will be payable in cash to ARC by the Company.

The term of the ZAR 177 Million Equity Facility is from 2 June 2022 to the earlier of:

- Five years from 2 June 2022; or
- One year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (in the amount not exceeding US\$ 30 million), has been repaid;

The ZAR 177 Million Equity Facility is secured by the shares that Kropz holds in Cominco Resources Ltd.

The ZAR 177 million Equity Facility was above the authorisation limits given at the Annual General Meeting in June 2021. Specific shareholder approval was required for the ZAR 177 Million Equity Facility, which shareholder approval was obtained on 30 May 2022. Ordinary shares to be issued to ARC in terms of the ZAR 177 Million Equity Facility, if so elected by ARC, would be a maximum of 96,378,566 ordinary shares.

Convertible loan facility for ZAR 550 million from ARC, entered into on 14 November 2022

As announced on 14 November 2022, Kropz entered into a new convertible equity facility of up to ZAR 550 million (“ZAR 550 Million Equity Facility”) (approximately US\$ 31.6 million), with ARC in order to progress the ramp-up of operations at the Elandsfontein project. In addition, the funding would also provide working capital to the Company for general corporate purposes and further funding, of approximately US\$ 1 million for working capital and early site works, at the Hinda project in the Republic of the Congo.

The ZAR 550 Million Equity Facility comprises a total commitment of up to ZAR 550 million provided by ARC, which can be drawn down at the discretion of Kropz, as follows:

- Loan 2 and Loan 3 were settled by way of a first advance under the New ZAR 550 Million Equity Facility, once approved and unconditional, leaving ZAR 302.5 million available for further drawdown over the facility term; and
- The remaining ZAR 302.5 million of the ZAR 550 Million Equity Facility was available from the date that all the conditions were met (the “Effective Date”) and up to 15 December 2023. Each drawdown, however, remains subject to ARC's sole discretion.

At any time during the term of the ZAR 550 Million Equity Facility, the repayment of the ZAR 550 Million 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 4.579 pence per Ordinary Share each, representing the 30-day VWAP on 21 October 2022, and at fixed exchange rate of ZAR 1 = GBP 0.048824 (“Conversion”); or
- Payable in cash by the Company at the end of the term of the ZAR 550 Million Equity Facility.

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, a market operated by London Stock Exchange plc (“AIM”).

The New ZAR 550 Million Equity Facility will bear interest at the South African prime overdraft interest rate plus 6 per cent., nominal per annum and compounded monthly (“Interest”). Interest will be payable in cash to ARC by the Company.

The term of the ZAR 550 Million Equity Facility will be from the Effective Date, to the earlier of:

- 5 years from the Effective Date; or

- 2 years after the term loan facility provided by BNP Paribas to Elandsfontein (in the amount not exceeding US\$ 30 million), has been repaid in full, or such later date as ARC may agree in writing;

The ZAR 550 Million Equity Facility will be available for drawdown until 15 December 2023.

The ZAR 550 Million Equity Facility is secured by the shares which Kropz holds in Cominco Resources Ltd (“Share Charge”).

Approval from the South African Reserve Bank for the ZAR 550 Million Equity Facility was obtained on 17 November 2022 and shareholder approval on 30 November 2022.

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

Existing shareholders may have conflicting interests with the ZAR 177 Million Equity Facility and ZAR 550 Million 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 delivery of the Elandsfontein project to first revenue. 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 required funding.

Due to the fact that Machiel Reyneke and Gerrit Duminy, the ARC representatives 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 ZAR 177 Million Equity Facility and ZAR 550 Million Equity Facility by the Board. The independent, non-executive Directors, being Lord Robin Renwick, Linda Beal and Mike Daigle, and the CEO, Mark Summers, in consultation with the nominated adviser, considered the transaction to be fair and reasonable.

As a result of the ZAR 200 Million Equity Facility, ZAR 177 Million Equity Facility and the ZAR 550 Million Equity Facility, ARC could increase its interest in the Company by a further approximate 8.3%, taking its eventual interest in the Company to approximately 91.5%.

First drawdown of the ZAR 550 Million Equity Facility for ZAR 307.5 million (approximately US\$ 18.1 million) was made on 1 December 2022 which comprised:

- Set-off of Loan 2 and Loan 3 of ZAR 247.5 million;
- ZAR 10 million for the Company’s general corporate purposes and funding of ongoing running costs of the Hinda Project; and
- ZAR 50 million in respect of working capital for Elandsfontein.

A second drawdown of ZAR 135 million (approximately US\$ 7.9 million) of the ZAR 550 Million Equity Facility was made on 22 December 2022.

Post 31 December 2022

A third drawdown of ZAR 60 million (approximately US\$ 3.5 million) of the ZAR 550 Million Equity Facility was made on 25 January 2023 and a fourth drawdown of ZAR 40 million (approximately US\$ 2.2 million) on 27 February 2023.

As announced on 14 March 2023, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facilities (“Loan 4”) to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 25 million (approximately US\$ 1.4 million) on Loan 4 was made on 14 March 2023.

Loan 4 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 4 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly.

A second draw down on Loan 4 for an amount of ZAR 90 million was made on 28 March 2023, a third drawdown of ZAR 30 million was made on 25 April 2023 and a fourth drawdown of ZAR 80 million was made on 23 June 2023.

This Strategic Report was approved by the Board of Directors.

Louis Loubser
Chief Executive Officer
28 July 2023

Consolidated Statement of Financial Position
As at 31 December 2022

		31 December 2022 US\$'000	31 December 2021 US\$'000
	Notes		
Non-current assets			
Property, plant, equipment and mine development	4	68,965	135,099
Exploration assets	5	42,415	44,631
Right-of-use asset	6	-	7
Other financial assets	7	860	1,357
		112,240	181,094
Current assets			
Inventories	8	3,273	1,025
Trade and other receivables	9	1,857	1,511
Restricted cash	10	-	4,858
Cash and cash equivalents	11	2,120	2,461
		7,250	9,855
TOTAL ASSETS		119,490	190,949
Current liabilities			
Trade and other payables	18	7,284	3,543
Lease liabilities	15	-	7
Other financial liabilities	16	26,808	4,295
Current taxation	26	597	-
		34,689	7,845
Non-current liabilities			
Shareholder loans and derivative	14	55,102	25,043
Other financial liabilities	16	-	26,291
Provisions	17	2,697	4,033
		57,799	55,367
TOTAL LIABILITIES		92,488	63,212
NET ASSETS		27,002	127,737
		31 December 2022 US\$'000	31 December 2021 US\$'000
	Notes		
Shareholders' equity			
Share capital	12	1,212	1,194
Share premium	12 / 13	194,063	193,524
Merger reserve	12 / 13	(20,523)	(20,523)
Foreign exchange translation reserve	13	(11,195)	(7,807)
Share-based payment reserve	13	271	1,197
Accumulated losses		(116,972)	(45,626)
Total equity attributable to the owners of the Company		46,856	121,959
Non-controlling interests	33	(19,854)	5,778
		27,002	127,737

The notes below 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:

Louis Loubser
Chief Executive Officer
28 July 2023

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022**

		Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Revenue		-	-
Other income		116	172
Operating expenses	22	<u>(5,808)</u>	(6,503)
Operating loss		(5,692)	(6,331)
Finance income	21	136	480
Finance expense	24	(9,812)	(7,391)
Fair value gain / (loss) from derivative liability	30	10,807	(4,792)
Impairment losses	25	(92,661)	-
Loss on disposal of subsidiary		-	(224)
Loss before taxation		(97,222)	(18,258)
Taxation	26	(602)	-
Loss after taxation		(97,824)	(18,258)
Loss profit attributable to:			
Owners of the Company		(66,639)	(13,787)
Non-controlling interests		(31,185)	(4,471)
		<u>(97,824)</u>	<u>(18,258)</u>
Loss for the year		(97,824)	(18,258)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
• Exchange differences on translating foreign operations		(3,246)	(11,184)
Total comprehensive loss		(101,070)	(29,442)
Attributable to:			
Owners of the Company		(70,027)	(23,928)
Non-controlling interests		(31,043)	(5,514)
		<u>(101,070)</u>	<u>(29,442)</u>
Loss per share attributable to owners of the Company:			
Basic and diluted (US cents)	27	<u>(7.23)</u>	(1.80)

Consolidated Statement of Changes in Equity For the year ended 31 December 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 US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2021	706	168,212	(20,523)	2,334	385	(22,010)	129,104	5,729	134,833
Total comprehensive loss for the year	-	-	-	(10,141)	-	(13,787)	(23,928)	(5,514)	(29,442)
Issue of shares	488	25,312	-	-	-	-	25,800	-	25,800
Disposal of subsidiary	-	-	-	-	-	-	-	181	181
Extinguishment of derivative asset upon equity draw down	-	-	-	-	-	(4,447)	(4,447)	-	(4,447)
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(5,382)	(5,382)	5,382	-
Share based payment charges	-	-	-	-	812	-	812	-	812
Transactions with owners	488	25,312	-	-	812	(9,829)	16,783	5,563	22,346
Balance at 31 December 2021	1,194	193,524	(20,523)	(7,807)	1,197	(45,626)	121,959	5,778	127,737
Total comprehensive loss for the year	-	-	-	(3,388)	-	(66,639)	(70,027)	(31,043)	(101,070)
Issue of shares	18	539	-	-	-	-	557	-	557
Share options exercised	-	-	-	-	(694)	694	-	-	-
Share based payment credit	-	-	-	-	(222)	-	(222)	-	(222)
Lapsed warrants	-	-	-	-	(10)	10	-	-	-
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(5,411)	(5,411)	5,411	-
Transactions with owners	18	539	-	-	(926)	(4,707)	(5,076)	5,411	335
Balance at 31 December 2022	1,212	194,063	(20,523)	(11,195)	271	(116,972)	46,856	(19,854)	27,002

**Consolidated Statement of Cash Flows
For the year ended 31 December 2022**

	Notes	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Cash flows from operating activities			
Loss before taxation		(97,222)	(18,258)
Adjustments for:			
Depreciation of property, plant and equipment	4	821	904
Amortisation of right-of-use assets	6	5	39
Impairment losses	25	92,661	-
Share-based payment (credit) / charge	12	(222)	812
Finance income	21	(136)	(480)
Finance costs	24	6,496	3,267
Fair value (gain) / loss on derivative liability	30	(10,807)	4,792
Debt modification present value adjustment	24	(233)	(258)
Foreign currency exchange differences		3,550	4,382
Fair value loss / (gain) on game animals	4	21	(51)
Operating cash flows before working capital changes		(5,066)	(4,851)
(Increase) / decrease in trade and other receivables	28	(471)	256
(Increase) / decrease in inventories	28	(3,453)	(291)
(Decrease) / increase in trade and other payables	28	(172)	3,178
Net cash flows used in operating activities		(9,162)	(1,708)
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(29,215)	(38,553)
Exploration and evaluation expenditure	5	(346)	(3,931)
Disposal of subsidiary		-	5
Other financial asset	28	427	-
Finance income received	21	136	480
Transfer from restricted cash	10	4,727	2,497
Net cash flows used in investing activities		(24,271)	(39,502)
Cash flows from financing activities			
Finance costs paid	24	(2,586)	(2,028)
Shareholder loan received	14	38,727	8,037
Repayment of lease liabilities	15	(6)	(39)
Other financial liabilities	28	(3,712)	54
Issue of ordinary share capital	12	557	25,800
Net cash flows from financing activities		32,980	31,824
Net decrease in cash and cash equivalents		(453)	(9,386)
Cash and cash equivalents at beginning of the year		2,461	11,572
Foreign currency exchange gains / (losses) on cash		112	275
Cash and cash equivalents at end of the year		2,120	2,461

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(1) General information

Kropz is an emerging plant nutrient producer and developer with an advanced stage phosphate mining project in South Africa and an exploration phosphate project in the Republic of Congo ("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) 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 UK adopted international accounting standards 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, financial liabilities and game animals 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 2022, the Group incurred a loss of US\$ 97.8 million (2021: US\$ 18.3 million) after impairment losses and experienced net cash outflows from operating activities. Cash and cash equivalents totalled US\$ 2.1 million as at 31 December 2022 (2021: US\$ 2.5 million).

Elandsfontein is currently the Group's only source of operating revenue. As Elandsfontein is still busy ramping up its operations an operating loss is therefore also expected in the year following the date of these accounts. The Group is consequently dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements and quarterly repayments on the BNP loan that cannot be met from existing cash resources and sales revenue.

The Company did not reach project completion as stipulated in the BNP facility agreement by 31 December 2022. Considering the delay in achieving sales, the Company also failed to fund the debt service reserve account as required. BNP have, to date, waived these requirements, preventing the Company from falling in default of its loan terms, by means of several waivers since December 2022 to 30 September 2023.

At the end of the waiver period, the bank has the contractual right to request the immediate repayment of the outstanding loan amount of US\$ 18,750,000. Management is in the process of refinancing the loan and expects that a replacement loan will be in place in the third quarter of 2023.

Operational cash flows and impairment loss

An impairment loss of US\$ 92.7 million has been recognised as at 31 December 2022 in relation to the Elandsfontein mine based on the 5-year forecast and the latest life of mine (LOM) plans following the downgrade of the resource per an updated MRE as announced on 10 January 2023 and set out in the Strategic report. Please refer to Note 25 for some key assumptions and sensitivity analysis. The recoverable amount of the Elandsfontein mine was estimated based on discounted cashflows expected to be generated from the continued use of the cash generating unit (CGU) using market-based commodity prices and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements and its eventual disposal based on the CGU's 5 year and latest LOM plans. These calculations include a number of estimates which if the actual outcome were different could have a significant impact on the financial outcome of the Elandsfontein mine operations and the Group's funding needs.

The going concern assessment was performed using the Group's 18-month forecast. The Group's going concern and forecast cash flows are largely driven by Elandsfontein, as the Group's only operating asset. Elandsfontein's forecast cashflows are based on its updated mine plan, considering the downgrade of the resource per an updated MRE as announced on 10 January 2023 and set out in the Strategic report and utilises the model which was used for impairment purposes. Please refer to Note 25 for some key assumptions and sensitivity analysis.

Elandsfontein's forecast cashflows were estimated using market-based commodity prices, exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements over an 18-month period. As with the impairment assessment, the going concern assessment only considered Elandsfontein's resources defined as "measured" and "indicated" per the updated MRE. The resource classified as "inferred" was not considered part of the mine plan for purposes of the going concern and impairment assessments.

The forecast cashflows include a number of estimates which if the actual outcome were different could have a significant impact on the financial outcome of the Elandsfontein mine operations and the Group's funding needs.

The 18-month forecast assumes the refinancing of the BNP loan facility in September 2023.

The critical estimates in the LOM plan and forecast cashflows expected to be generated are as follows:

- Phosphate rock prices and grade;
- Phosphate recoveries;
- Operating costs;
- Foreign exchange rates; and
- Discount rates.

The going concern assessment and forecast cashflows are highly sensitive to these estimates.

Phosphate rock prices and grade: Forecast phosphate rock prices are based on management's estimates of quality of production and selling price and are derived from forward price curves and long-term views of global supply and demand in a changing

environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources.

The first bulk shipment and sale of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein occurred in January 2023. A second shipment and sale of 20,000 tonnes of phosphate concentrate from Kropz Elandsfontein was recorded 14 March 2023. During April 2023 two bulk sales were achieved of 33,000 tonnes and 11,000 tonnes respectively. A further sale of 33,000 tonnes was recorded in June 2023.

Kropz is a new entrant to the phosphate market and has to date sold its shipments at a discount to market prices as it firstly establishes itself in the market and secondly works to improve its product grade.

In relation to pricing the most significant judgement in the LOM plan and cashflow forecast is that Kropz will be able to obtain the market price for its 31% P₂O₅ phosphate concentrate for all shipments from beginning of 2024. The cashflow model assumes a discount to the prevailing market price for 31% P₂O₅ phosphate concentrate for the period up to April 2023 largely due to variability in the grade of Elandsfontein's product being produced during its ramp-up phase and considering that Elandsfontein is a new market entrant. The ability to achieve market rates on sales is largely dependent on Elandsfontein's ability to consistently produce 31% P₂O₅ concentrate. Failing this, the Group may continue to suffer a discount to market rates. Estimated phosphate rock prices that have been used to estimate future revenues in the LOM are as follows:

Assumptions	2023	2024	Long term (2025+)
Phosphate rock per tonne	\$140	\$159	\$164

Phosphate recoveries: The production volumes incorporated into the LOM model were 2.8 million tonnes of phosphate rock. Estimated production volumes are based on detailed LOM plans of the measured and indicated resource as defined in the MRE, and take into account development plans for the mine agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

Estimated production volumes have been used to estimate future revenues. Such estimates made within the impairment assessment are subject to significant uncertainty given the ongoing ramp up, and production volumes achieved subsequent to the year end have been lower than expected.

There was a delay in ramp-up largely driven by the need to re-engineer parts of the fine flotation circuit proposed by the vendor, but it has also been affected by early unpredicted ore variability and lack of operator experience. Mining rates and associated delivery of ore to the plant were also compromised due to the presence of competent banks of hard material within the orebody, that were previously unknown. This hardbank material could, at the time, not be mined with the available equipment on site, resulting in mining delays while the required equipment for mechanical breaking could be brought to site.

Subsequently the vendor has provided design changes which were implemented at the plant, additional operator training was conducted and a mobile crusher implemented in the interim to facilitate the crushing of the affected ore to an appropriate size fraction until further test work has been conducted for a permanent solution. Several alternatives to deal with the

indurated material in the pit were investigated, and new equipment has arrived on site to improve the mining efficiency and facilitate adequate feed to the plant.

Post year-end, Elandsfontein has produced 100,000 tonnes from January 2023 to June 2023. Given the slower actual ramp-up compared to the LOM plan, the forecast cashflow assumes that production will ramp up to an average of 34,000 tonnes per month in 2H 2023. With the ramp-up of the Elandsfontein mine still underway and the challenges experienced to date, it is uncertain whether these production volumes will be achieved.

Reserves and resources: The LOM plan includes only the measured and indicated resources as defined in the MRE which represents only around 4 years of forecast production. There was a significant reduction in the measured and indicated resource in the MRE issued in December 2022 as set out in the Strategic report. The Directors believe that the inferred resources in the MRE are capable of being accessed giving a mine life of around 15 years, but this has not been taken into account in the discounted cashflows.

Exchange rates: Foreign exchange rates are estimated with reference to external market forecasts. The assumed long-term US dollar/ZAR exchange rate over LOM is estimated to be ZAR19/USD and for the forecast cashflows to be ZAR18.50/USD.

Operating cost: Operating costs are estimated with reference to contractual and actual current costs adjusted for inflation. Key operating cost estimates are mine and plant operating costs and transportation and port costs.

Mine and plant operating costs: The forecast mine and plant costs were based on the contracted rates with the current mine and plant operators.

Port costs: The Group has a draft port access agreement with Transnet for Saldanha port but this has not yet been signed. The Group has paid guest port charges for Saldanha for the shipments in 2023 to date, which are higher than the assumed port cost in the LOM model but in line with the draft agreement with Transnet.

Transportation costs: Transnet has informed the Group that it may have to export some shipments through Cape Town in 2023 and 2024 which would lead of higher transportation cost to Cape Town. The transportation costs in the discounted cashflows assume that 10% of 2023 and 2024 shipments are through Cape Town at the higher logistic cost.

As production is still ramping up and the port access agreement with Transnet has not yet been signed, the actual operating costs may be higher than the estimates in the discounted cash flows.

Discount rates: A discount rate of 12.59% was applied to the discounted cash flows used in the LOM plan. This discount rate is derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying beta factors. The beta factors are evaluated annually based on publicly available market data.

There is a risk that revenue is lower and operating costs are higher than the estimates included in the discounted cashflows with the result that the recoverable amount from the Elandsfontein mine is lower than the discounted cashflows. Please also see Note 25 Impairment losses for sensitivity analysis.

Funding

The Group is consequently dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements and quarterly repayments on the BNP loan that cannot be met from existing cash resources and sales revenue.

ARC Fund, on various occasions in the past provided funding to support the Group's operations. In May 2022, Kropz secured a further ZAR equity facility of up to ZAR 177 million from ARC Fund 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. More recently, as announced on 14 March 2023, Kropz, Kropz Elandsfontein and the ARC Fund agreed to further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facilities to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 25 million (approximately US\$ 1.4 million) on this was made on 14 March 2023. The loan 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 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. A second draw down for an amount of ZAR 90 million was made on 28 March 2023 and a third drawdown of ZAR 30 million was made on 25 April 2023. A fourth drawdown of ZAR 80 million was made on 23 June 2023 for Kropz Elandsfontein to be able to service its quarterly payment of interest and capital to BNP Paribas. ZAR 60 million remains undrawn at the date of this report. Given that BNP Paribas is exiting South Africa, the Group was unable to refinance the existing loan with them. Considering their position, BNP has been supportive of the refinancing strategy and has waived the requirement on the Company to reach project completion at Elandsfontein as well as to fund the debt service reserve account consecutively since December 2022 to 30 September 2023. Kropz Elandsfontein has made all the capital and interest payments to BNP as required to the date of this report.

A further funding shortfall is expected in the year subsequent to the date of these accounts and as a result the Group will need to raise funding to provide additional working capital to finance its ongoing activities.

Management has successfully raised money in the past from its supportive major shareholder, but there is no guarantee that adequate funds will be available if needed in the future. Management has confirmed with ARC and have sufficient comfort that they have no intention to call any outstanding loans over the next 12-months for cash repayment. Management engages frequently with BNP regarding the capital repayment and refinancing of the BNP debt facility. Significant progress has been made with the refinancing of the BNP loan facility and Management, at the date of this report, are in advance discussions with several investors to provide the required funding to repay the BNP debt facility.

Going concern basis

Based on the Group's current available reserves, recent operational performance, forecast production and sales coupled with Management's track record to successfully raise additional funds as and when required, to meet its working capital and capital expenditure requirements, the Board have concluded that they have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and at least to December 2024.

For these reasons, the financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As there can be no guarantee that the required future funding can be raised in the necessary timeframe, a material uncertainty exists that may cast significant doubt on 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 was 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 2022

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).

The Group has considered the above new standards and amendments and has concluded that, with the exception of IAS 16 which is relevant to the Group as it generated sales, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

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 PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a plant after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, were recognised in profit or loss as other income in accordance with the amended standard.

(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. Management are currently assessing the impact of these new standards on the Group. With the exception of IAS 1 presentation of financial statements (amendment – classification of liabilities as current or non-current), the Group does not believe that the amendments will have a significant impact.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

On implementation of IAS 1 presentation of financial statements (amendment – classification of liabilities as current or non-current), the Group will present its convertible loan liabilities as current liabilities as opposed to non-current liabilities which is the presentation in these financial statements.

(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. The benefit accruing to the non-controlling interests arising from their proportionate share of the portion of the non-redeemable and non-participating preference share investment by Kropz plc into Kropz Elandsfontein is attributed to the non-controlling interests in proportion to their relative ownership interests.

Merger relief

The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in

another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve. In the case of the Company's acquisition of Cominco 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.

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 mine*

* 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.

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 7.22%, being an average SOFR plus 3%, 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 profit and loss;
- Financial liabilities measured at amortised cost; and
- Derivative financial instruments 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 and liabilities held at fair value through profit or loss

Financial assets and liabilities 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 and liabilities in this category are classified as current if they are expected to be settled within twelve months, otherwise they are classified as non-current.

Call options in the Company's own equity are recorded at fair value and change in fair value recorded through income statement.

Undrawn facilities with a conversion option, for which the terms give rise to a derivative, are revalued for changes in the share price prior to draw down 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 undrawn facilities at each reporting period.

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.

(s) 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 ('CGU') is the higher of its fair value less costs to of disposal ('FVLCD') and its value in use ('VIU').

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) Convertible debt

The proceeds received on issue of the Group's convertible debt which fail the fixed-for-fixed criterion under IFRS are allocated into their liability and derivative liability components. The derivative liability is measured at fair value with subsequent changes recognised in profit or loss. The debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt.

(n) 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.

(o) 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.

(p) Intangible assets

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

(q) Finance income

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

(r) Share-based payment arrangements

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

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

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

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

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

(s) 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) *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 assets, estimates of recoverable amount must be determined as the higher of the estimated VIU or the estimated FVLCD.

(ii) *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 31 for sensitivity analysis of foreign exchange risk.

(iii) *Decommissioning and rehabilitation provisions (Note 17)*

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 South African Department of Mineral Resources, have been used to estimate future rehabilitation costs. The Group appointed Braaf Environmental Practitioners to conduct an independent specialist update of the decommissioning and rehabilitation provision.

(iv) *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.

(v) *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 not being at steady state production it is premature to recognise a deferred tax asset for the accumulated tax losses.

(vi) *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 14 and 30 to the Consolidated Financial Statements.

(vii) *Impairment indicator assessment*

The Group reviews and tests the carrying value of assets when events or changes in circumstances ("impairment indicators") suggest that the carrying amount may not be recoverable. At 31 December 2022 an impairment indicator assessment was performed and impairment charge of US\$ 93 million recorded (refer to Note 25). As part of the impairment indicator assessment, management evaluate the life of mine plan discounted cash flow model. These calculations require the use of estimates and assumptions. The key estimates made include discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock, mine production levels and foreign currency exchange rates.

(t) Key sources of estimation uncertainty

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;
- adverse movements in foreign exchange;
- 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.

In determining the FVLCD for purposes of the impairment consideration, the value is most sensitive to the following assumptions:

- Phosphate rock prices;
- Phosphate recoveries;
- Foreign exchange rates;
- Operating costs.

Refer to Note 25 for further details.

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 14 and 30 to the Consolidated Financial Statements. The key estimates associated with the fair value of the derivative liability include volatility and the assumptions regarding conversion timing.

(3) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2022, 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%
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Cape Town 8001 South Africa	Property owner	70% *
Kropz Elandsfontein (Pty) Ltd	South Africa		Phosphate exploration and mining	74% **
West Coast Fertilisers (Pty) Ltd	South Africa		Phosphoric acid production	70%
Xsando (Pty) Ltd	South Africa		Sand sales	70%
Cominco Resources Limited	BVI	Woodbourne Hall, PO Box 3162, Road Town, Tortola, British Virgin Islands	Intermediate holding company	100%
Cominco S.A.	RoC		Development	100% ***
Cominco Resources (UK) Ltd	England and Wales		Service company	100% ***

* 46.67% held indirectly

** 38.18% held indirectly

*** 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 2022	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2021
	Cost US\$'000	Accumulated Depreciation and Impairment US\$'000	Carrying value US\$'000	Cost US\$'000	Accumulated Depreciation US\$'000	Carrying value US\$'000
Buildings and infrastructure						
Land	1,418	(795)	623	1,515	-	1,515
Buildings	9,840	(5,597)	4,243	10,514	(56)	10,458
Capitalised road costs	7,600	(5,709)	1,891	8,121	(2,978)	5,143
Capitalised electrical sub-station costs	3,297	(2,445)	852	3,523	(1,213)	2,310
Machinery, plant and equipment						
Critical spare parts	1,786	(1,002)	784	1,713	-	1,713
Plant and machinery	95,061	(53,486)	41,575	86,243	(63)	86,180
Water treatment plant	2,333	(1,308)	1,025	2,435	-	2,435
Furniture and fittings	56	(41)	15	49	(40)	9
Geological equipment	79	(48)	31	65	(45)	20
Office equipment	30	(28)	2	32	(21)	11
Other fixed assets	1	(1)	-	1	(1)	-
Motor vehicles	93	(93)	-	100	(100)	-
Computer equipment	79	(45)	34	65	(41)	24
Mine development	17,724	(9,788)	7,936	18,938	-	18,938
Stripping activity costs	22,257	(12,485)	9,772	6,126	-	6,126
Game animals	182	-	182	217	-	217
Total	161,836	(92,871)	68,965	139,657	(4,558)	135,099

Reconciliation of property, plant, equipment and mine development – Year ended 31 December 2022

	Opening Balance US\$'000	Additions US\$'000	Fair value loss US\$'000	Impair- ment* US\$'000	Depreciation charge US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
Buildings and infrastructure							
Land	1,515	-	-	(795)	-	(97)	623
Buildings	10,458	-	-	(5,747)	(33)	(435)	4,243
Capitalised road costs	5,143	-	-	(2,522)	(527)	(203)	1,891
Capitalised electrical sub-station costs	2,310	-	-	(1,137)	(229)	(92)	852
Machinery, plant and equipment							
Critical spare parts	1,713	190	-	(1,046)	-	(73)	784
Plant and machinery	86,180	14,911	-	(55,775)	(1)	(3,740)	41,575
Water treatment plant	2,435	56	-	(1,366)	-	(100)	1,025
Furniture and fittings	9	10	-	-	(4)	-	15
Geological equipment	20	18	-	-	(6)	(1)	31
Office equipment	11	-	-	-	(9)	-	2
Other fixed assets	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-
Computer equipment	24	24	-	-	(12)	(2)	34
Mine development	18,938	-	-	(10,227)	-	(775)	7,936
Stripping activity costs	6,126	17,178	-	(13,035)	-	(497)	9,772
Game animals	217	-	(21)	-	-	(14)	182
Total	135,099	32,387	(21)	(91,650)	(821)	(6,029)	68,965

* Refer to Note 25.

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

	Opening Balance US\$'000	Additions US\$'000	Fair value gain US\$'000	Depreciation charge US\$'000	Foreign exchange 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

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.

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for US\$ 30 million (see Note 16). 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”).

(5) Intangible assets - Exploration and evaluation costs

	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2021
	Cost	Amort- isation	Carrying value	Cost	Amort- isation	Carrying value
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Capitalised costs	42,415	-	42,415	44,631	-	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 Directors assessed whether there were any indicators of impairment. No indicators were identified.

Reconciliation of exploration assets

Year ended	31 December	Opening Balance US\$'000	Additions US\$'000	Disposals US\$'000	Foreign exchange loss US\$'000	Closing balance US\$'000
2022	Capitalised exploration costs	44,631	346	-	(2,562)	42,415
2021	Capitalised exploration costs	44,348	3,931	(62)	(3,586)	44,631

(6) Right-of-use assets

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Cost		
Brought forward	110	117
Foreign exchange differences	(7)	(7)
As at 31 December	103	110
Amortisation		
Brought forward	103	72
Charge for the year	5	39
Foreign exchange differences	(5)	(8)
As at 31 December	103	103

Net book value

-

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(7) Other financial assets

	31 December 2022 US\$'000	31 December 2021 US\$'000
DMR guarantee (1)	-	630
Eskom guarantee (2)	309	330
Eskom guarantee (3)	313	334
Heritage Western Cape Trust (4)	-	63
Centriq insurance DMR guarantee (5)	238	-
Total	860	1,357

(1) DMR guarantee

Guarantee in favour of the Department of Mineral Resources for ZAR 10 million in respect of a "financial guarantee for the rehabilitation of land disturbed by prospecting/mining". The guarantee was replaced by Centriq insurance during the year.

(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 million 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 guarantee funds returned to the Group during the year.

(5) Centriq insurance DMR guarantee

Guarantee in favour of Department of Mineral Resources of ZAR 50 million in respect of a "financial guarantee for the rehabilitation of land disturbed by prospecting/mining" under an insurance policy. Two additional annual premiums of ZAR 4.5 million are due on 1 November 2023 and 1 November 2024 respectively.

Fair value of other financial assets

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

(8) Inventories

	31 December 2022 US\$'000	31 December 2021 US\$'000
Concentrate*	790	-
Consumables	2,483	1,025
Total	3,273	1,025

* Phosphate rock produced by Kropz Elandsfontein.

(9) Trade and other receivables

	31 December 2022 US\$'000	31 December 2021 US\$'000
Prepayments and accrued income	209	238
Deposits	41	46
VAT	1,294	1,112
Other receivables	313	115
Total	1,857	1,511

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) Restricted cash

	31 December 2022 US\$'000	31 December 2021 US\$'000
Short-term deposits	-	4,858

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 commencing in Q4 2022 and an interest rate of 6.5% plus US LIBOR, up to project completion and 4.5% 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 with 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 release of locked-up cash of ZAR1 for every ZAR3 drawn down from ARC in terms of the Original Equity Facility. At 31 December 2021, ZAR 77 million remained locked up and invested with BNP as short-term deposits. BNP released the remaining ZAR 77 million restricted cash in the bank account of Kropz Elandsfontein on 10 January 2022.

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.

(11) Cash and cash equivalents

	31 December 2022 US\$'000	31 December 2021 US\$'000
Bank balances	2,120	2,460
Cash on hand	-	1
Total	2,120	2,461

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

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

Fair value of cash at bank

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

(12) Share capital

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 2020	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	-	-	9
Shares issued in settlement of guarantee fees	3,971,712	4	307	-	311
Convertible loan – issue of shares	3,474,536	5	232	-	237
At 31 December 2022	923,718,223	1,212	194,063	(20,523)	174,752

Issue of shares in the year ended 31 December 2022:

The changes to the issued share capital of the Company which occurred between 1 January 2022 and 31 December 2022 were as follows:

Convertible loan facility

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 fee 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

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

As announced on 20 July 2022, Mark Summers expressed his intention to leave the Company and he resigned as Chief Executive Officer (“CEO”) and Executive Director of the Company in January 2023 and the 3,362,609 ESOP options awarded to him lapsed and expired. Michelle Lawrence resigned on 31 December 2022 and the 1,465,137 ESOP options awarded to her lapsed and expired on that date. There are therefore nil ESOP options remaining at 31 December 2022.

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 Michelle Lawrence, under its LTIP Awards.

The LTIP Awards are £0.001 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 vested on 31 December 2021 and were exercised in January 2022, pursuant 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. 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.

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

As announced on 2 July 2021, the Company granted LTIP Awards to key members of the executive management team, including certain Persons Discharging Managerial Responsibilities (“PDMRs”), including Mark Summers and Michelle Lawrence, under its LTIP Awards.

The LTIP Awards are £0.001 priced options over a total of 7,800,000 ordinary shares. Of this total, 2,400,000 LTIP Awards were granted to each of Mark Summers and Michelle Lawrence and 900,000 to Patrick Stevenaert. The LTIP Awards will vest on various dates from 30 June 2022 to 31 December 2024, 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 0.055
Exercise price	GBP 0.001
Expected volatility	30%
Expected dividends	0%
Risk-free interest rate	1.3%
Option life	7 years

As announced on 20 July 2022, Mark Summers expressed his intention to leave the Company and he resigned in January 2023 and the 2,400,000 LTIP options awarded to him lapsed and expired. Michelle Lawrence resigned on 31 December 2022 and the 2,400,000 LTIP options awarded to her lapsed and expired on that date. The lapsed and expired options were reversed through profit and loss.

A net credit to expense of US\$ 222,000 was recognised in profit and loss related to the employee share options (31 December 2021: charge of US\$ 812,000).

The LTIP Awards remaining at 31 December 2022 are £0.001 priced options over a total of 3,000,000 ordinary shares representing 0.3% of the Company's issued share capital.

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. As they had not been exercised, these options lapsed during the 2022 financial year and nil equity warrants remained in place at 31 December 2022 (2021: 121,837 equity warrants).

(13) Reserves**Nature and purpose of reserves****Foreign exchange translation reserve**

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these consolidated financial statements from their functional currencies to the presentational currency. A decrease in the reserve of US\$ 3,388,000 (2021: US\$ 10,141,000) 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 fair value (see Note 12).

(14) Shareholder loans and derivative

	31 December 2022 US\$'000	31 December 2021 US\$'000
Shareholder loans - ARC	17,010	16,196
Convertible debt - ARC	15,055	6,191
Derivative liability (refer to Note 30)	23,037	2,656
	<u>55,102</u>	<u>25,043</u>

Shareholders loan - ARC

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

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, the Company's major shareholder. 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, 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 at the end of the term of the ZAR 200 Million Equity Facility which is 27 October 2026. The Company made a drawdown of ZAR 90 million of the ZAR 200 Million Equity Facility on 26 October 2021 and a further ZAR 37 million on 9 December 2021. Two further draw downs 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.

As announced on 11 May 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 177 million ("ZAR 177 Million Equity Facility") with ARC. 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, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 9.256 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 4 May 2022, and at fixed exchange rate of ZAR 1 = GBP 0.0504 ("Conversion"), 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. The first drawdown on the ZAR 177 Million Equity Facility occurred on 2 June 2022 for ZAR 103.5 million. The second drawdown on the ZAR 177 Million Equity Facility was made on 7 July 2022 for ZAR 60 million. On 9 August 2022, a final drawdown on the ZAR 177 Million Equity Facility was made for ZAR 13.5 million. The ZAR 177 Million Equity Facility is fully drawn at the date of this report.

As announced on 14 November 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 550 million ("ZAR 550 Million Equity Facility") with ARC. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. At any time during the term of the ZAR 550 Million Equity Facility, repayment of the ZAR 550 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 4.579 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 October 2022 and at fixed exchange rate of ZAR 1 = GBP 0.48824 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 550 Million Equity Facility which is 30 November 2027. The first drawdown on the ZAR 550 Million Equity

Facility occurred on 1 December 2022 for ZAR 307.5 million. The second drawdown on the ZAR 550 Million Equity Facility of ZAR 135 million occurred on 22 December 2022. The third drawdown on the ZAR 550 Million Equity Facility of ZAR 60 million occurred on 25 January 2023 and the fourth drawdown of ZAR 40 million occurred on 27 February 2023. ZAR 7.5 million remains undrawn on the ZAR 550 Million Equity Facility.

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 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 30).

Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

(15) Finance lease liabilities

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
In respect of right-of-use assets		
Balance brought forward	7	48
Repayments during the year	(6)	(39)
Foreign exchange differences	(1)	(2)
Lease liabilities at end of year	<u>-</u>	<u>7</u>
Maturity		
Current	-	7
Non-current	-	-
Total lease liabilities	<u>-</u>	<u>7</u>

(16) Other financial liabilities

	31 December 2022 US\$'000	31 December 2021 US\$'000
BNP	26,298	30,041
Greenheart Foundation	510	545
Total	<u>26,808</u>	<u>30,586</u>
Maturity		
Non-current	-	26,291
Current	26,808	4,295
Total	<u>26,808</u>	<u>30,586</u>

BNP

A US\$ 30,000,000 facility was made available by BNP Paribas to Kropz Elandsfontein in September 2016.

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.

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.

The BNP loan is subject to covenant clauses. Kropz Elandsfontein did not reach project completion as stipulated in the agreement to be 31 December 2022 and failed to fund the Debt Service Reserve Account, however BNP Paribas has provided, post balance sheet date, a waiver to 30 September 2023. The outstanding balance is therefore presented as a current liability as at 31 December 2022.

Greenheart Foundation

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

(17) Provisions

Reconciliation of provisions – Year ended 31 December 2022

	Opening Balance US\$'000	Additions/ Adjustments US\$'000	Foreign exchange gains US\$'000	Closing balance US\$'000
Provision for dismantling costs	2,241	(1,367)	99	973
Provisions for rehabilitation	1,792	(185)	117	1,724
Total	4,033	(1,552)	216	2,697

Reconciliation of provisions – Year ended 31 December 2021

	Opening Balance US\$'000	Additions/ Adjustments US\$'000	Foreign exchange gain US\$'000	Closing balance US\$'000
Provision for dismantling costs	2,477	(42)	(194)	2,241
Provisions for rehabilitation	1,834	112	(154)	1,792
Total	4,311	70	(348)	4,033

Dismantling and rehabilitation provisions

Prior to 2015, financial provisioning and rehabilitation were governed by the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002) ("MPRDA") and the National Environmental Management Act, 1998 (Act No. 107 of 1998) ("NEMA"). As such the previous financial provisioning was based on the quantum of the financial provision under regulations 53 and 54 of the MPRDA and the guideline document published by the Department of Mineral Resources (now "Department of Mineral Resources and Energy") (DMR 2005 Guideline Document for the Evaluation of the Quantum of Closure-Related Financial Provision Provided by a Mine) and assessed according to the guideline.

The Kropz Elandsfontein Mine was placed on Care and Maintenance Phase from August 2017 to September 2020 due to flaws in the design of the production process. This was followed by an Optimisation Phase from September 2020 to September 2021 which related to plant modifications to meet optimal operational requirements to allow the mine to go into production. At this time, Kropz Elandsfontein updated their EMPr to include the optimisation phase. As such the DMRE issued updated conditions, which stated that the holder of the EMPr must annually assess the environmental liabilities of the operation by using the master rates in line with the applicable Consumer Price Index (“CPI”) at the time and address the shortfall on the financial provision submitted in terms of section 24P of NEMA. To comply with the requirements, Kropz Elandsfontein commissioned Braaf Environmental Practitioners SA (Pty) Ltd to update the provision in 2021, which was done under the 2015 Regulations (GNR 1147) and approved by the DMRE.

Prior to the 2022 financial provision update, the DMRE was consulted to determine which regulations must be adhered to, Regulation 54 of the MPRDA Regulations (i.e., the DMR 2005 Guideline Document for the Evaluation of the Quantum of Closure-Related Financial Provision Provided by a Mine) or the 2015 regulations (GNR 1147), as amended. The DMRE confirmed that since the publication of GNR No. 45058 by the Minister of her intention to repeal the 2015 Financial Provisioning Regulations and to make new Regulations for Financial Provisioning on 27 August 2021, the updated 2022 Kropz Elandsfontein financial provisions should be determined under regulations 53 and 54 of the MPRDA and the DMR 2005 Guideline Document for the Evaluation of the Quantum of Closure-Related Financial Provision Provided by a Mine and DMRE’s 2005 escalated master rates. In terms of the current transitional provisions (GNR No. 46378 of 19 May 2022) of the proposed Regulations mining companies have until, 19 September 2023 to comply with the 2015 Regulations, as amended. However, on 19 May 2023, the Minister published a further extension to the due date for mining companies to comply with the proposed Regulations, being 19 February 2024.

As such the 2022 provision was based on the DMRE master rates for rehabilitation and instruction from the DMRE which is the prescribed requirements in terms of the approvals and regulations. This has resulted in reduction in the quantum of the provision.

The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 5.52% (2021: 7.46%) was used.

(18) Trade and other payables

	31 December 2022 US\$’000	31 December 2021 US\$’000
Trade payables	6,605	2,527
Other payables	10	-
Accruals	669	1,016
Total	7,284	3,543

Fair value of trade and other payables

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

(19) Commitments

	31 December 2022 US\$’000	31 December 2021 US\$’000
Authorised capital commitments	-	1,871

The committed expenditure at 31 December 2021 relates to plant construction.

(20) Directors' remuneration, interests and transactions

The Directors 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\$ 747,329 (2021: US\$ 1,882,116) (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 2022 GBP exchange rate of 0.812 and ZAR exchange rate of ZAR 16.373.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of US\$ 330,340 (2021: US\$ 542,739). Refer to page 33 to 34 for further details.

(21) Finance income

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Interest income	136	480
Total	136	480

(22) Operating expenses

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Fair value loss / (gain) on game animals	22	(51)
Amortisation of right of use asset	5	39
Depreciation of property, plant and machinery	821	904
Employee costs (excluding share option cost)	1,133	1,392
Share option (credit) / cost	(222)	812
Electricity and water – mine operations	928	1,067
Inventory expense	-	183
Mining costs	54	9
Plant operating costs and recoveries	216	217
Professional and other services	667	821
Auditor's remuneration in respect of audit of the Group and parent	136	86
Auditor's remuneration in respect of audit of the Cominco Group	52	42
Component auditor's remuneration in respect of audit of South African controlled entities	71	68
Other expenses	1,925	914
Total	5,808	6,503

(23) Staff costs

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
--	--	--

The average monthly number of employees was:

Operations	10	11
Finance and administration	6	6
Management	3	3
	19	20

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	1,003	1,274
Social security costs	127	115
Share-based payments (credit) / cost	(222)	812
Pension costs	3	3
	911	2,204

(24) Finance expense

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Shareholder loans	3,407	670
Foreign exchange losses	3,550	4,382
Bank debt	2,576	2,024
BNP – debt modification present value adjustment amortisation	(233)	(258)
BNP amendment fee amortisation	205	227
Finance leases	-	1
Other	307	345
Total	9,812	7,391

(25) Impairment losses

As a result of the recoverable amount analysis performed during the year, the following impairment loss was recognised:

	31 December 2022 US\$'000	31 December 2021 US\$'000
Mine property	91,650	-
Inventory	1,011	-
	92,661	-

The impairment loss was recognised in relation to the Elandsfontein mine. The triggers for the impairment test were primarily due to the hard bank encountered in the pit which necessitated further drilling and the effect of changes to the mine plan resulting from the updated MRE and downgrading of the measured and indicated resource. The recoverable amount of the Elandsfontein mine was based on management's estimate of FVLCD and is estimated based on discounted future cash flows expected to be generated from the continued use of the CGU using market-based commodity prices and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, and its eventual disposal, based on the CGU's 5 year plans and latest life of mine (LOM) plans following the downgrade of the resource per an updated MRE as announced on 10 January 2023. The impairment test only considered the section of the mineral resource classified as measured and indicated. The inferred resource classification was disregarded for impairment testing purposes.

Key assumptions

The determination of FVLCD is most sensitive to the following assumptions:

- Phosphate rock prices;
- Phosphate recoveries;
- Foreign exchange rates;
- Operating costs.

Phosphate rock prices: Forecast phosphate rock prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources. These prices are reviewed semi-annually. Estimated long-term phosphate rock prices for the current period that have been used to estimate future revenues, are as follows:

Assumptions	2023	2024	Long term (2025+)
Phosphate rock per tonne	\$140	\$159	\$164

Phosphate recoveries: The production volumes incorporated into the cash flow model were 2.8 million tonnes of phosphate rock. Estimated production volumes are based on detailed life-of-mine plans, of the measured and indicated resourced as defined in the MRE, and take into account development plans for the mine agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

Exchange rates: Foreign exchange rates are estimated with reference to external market forecasts and updated semi-annually. The assumed long-term US dollar/ZAR exchange rate is estimated to be ZAR19/USD.

Operating cost: Operating costs are estimated with reference to contractual and actual current cost and adjusted for inflation.

Discount rates: A discount rate of 12.59% was applied to the cash flows. This discount rate is derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying beta factors. The beta factors are evaluated annually based on publicly available market data.

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%	(3.0)
	reduced by 2%	3.2

Impact if selling prices	increased by 10%	26.2
	reduced by 10%	(27.6)
Impact if production tonnes	increased by 10%	12.5
	reduced by 10%	(13.0)
Impact if foreign exchange rates	increased by 10%	27.1
	reduced by 10%	(28.5)
Impact if operating costs:	increased by 10%	(21.5)
	reduced by 10%	20.7

(26) Taxation

Major components of tax charge	Year ended 31 December 2022 US\$'000	Period ended 31 December 2021 US\$'000
Deferred		
Originating and reversing temporary differences	-	-
Current tax		
Local income tax	(602)	-
Total	(602)	-

The tax charge arose predominantly due to the devaluation of GBP against US\$ and the recorded unrealised foreign exchange gains being taxable in the UK.

Reconciliation of tax charge

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Loss before tax	(97,222)	(18,258)
Applicable UK tax rate	19%	19%
Tax at applicable tax rate	(18,472)	(3,469)
Adjustments for different tax rates in the Group	(12,031)	(2,177)
Disallowable expenditure	23,744	1,545
Losses carried forward not recognised	7,361	4,101
Tax (credit) / charge	602	-

The movement in tax liabilities is summarised below:

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
Balance brought forward	-	-
Current year charge	602	-
Interest	6	-
Tax paid	-	-
Foreign exchange differences	(11)	-
Balance carried forward	597	-

The Group had losses for tax purposes of approximately US\$ 57.5 million as at 31 December 2022 (2021: US\$ 52.1 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\$ 16.1 million (2021: US\$ 14.6 million), after set off of accelerated depreciation allowances in respect of fixed assets of US\$ 41.1 million (2021: US\$ 34.7 million), arises in respect of these losses. It has not been recognised as steady state production has not been reached. The deferred tax asset and deferred tax liability relate to income tax in the same jurisdiction and the law permits set off.

(27) 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 2022 US\$'000	Year ended 31 December 2021 US\$'000
Loss attributable to ordinary shareholders	(66,639)	(13,787)
Weighted average number of ordinary shares used in basic loss per share	921,908,785	765,871,834
Share options and warrants	-	-
Weighted average number of ordinary shares used in diluted loss per share	921,908,785	765,871,834
Basic and diluted loss per share (US\$ cents)	(7.23)	(1.80)

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

(28) Notes to the statement of cash flows

Issue of shares

Year ended 31 December 2022

	Non-cash consideration US\$'000	Cash consideration US\$'000	Total US\$'000
Share options exercised	-	9	9
Shares issued in settlement of guarantee fees	-	311	311
Equity facility – issue of shares	-	237	237
As at 31 December 2022	-	557	557

Year ended 31 December 2021

	Non-cash consideration US\$'000	Cash consideration US\$'000	Total US\$'000
Equity facility – issue of shares	-	25,800	25,800
As at 31 December 2021	-	25,800	25,800

Net debt reconciliation

Year ended 31 December 2022

	Opening Balance US\$'000	Accrued interest US\$'000	Fair value movements US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Other financial assets	1,357	-	-	(427)	(70)	860
Shareholder loan payable and derivative	(25,043)	(3,791)	8,671	(38,727)	1,135	(57,755)
Other financial liabilities	(30,586)	28	-	3,712	(38)	(26,808)
Finance leases	(7)	-	-	6	1	-
Total	(54,279)	(3,763)	8,671	(35,436)	1,028	(83,703)

Year ended 31 December 2021

	Opening Balance US\$'000	Accrued interest US\$'000	Fair value movements US\$'000	Cash movements US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Other financial assets	1,477	-	-	-	(120)	1,357
Shareholder loan payable and derivative	(15,703)	(670)	(653)	(8,037)	20	(25,043)
Other financial liabilities	(30,613)	31	-	(54)	50	(30,586)
Finance leases	(48)	-	-	39	2	(7)
Total	(44,887)	(639)	(653)	(8,052)	(48)	(54,279)

Reconciliation of working capital items:

Year ended 31 December 2022

	Opening Balance US\$'000	Cash movements US\$'000	Capital allocated US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Trade and other receivables	1,511	471	-	(125)	1,857
Inventories	1,025	3,453	-	(197)	4,281
Trade and other payables	(3,543)	172	(4,588)	675	(7,284)
Total	(1,007)	4,096	(4,588)	353	(1,146)

Year ended 31 December 2021

	Opening Balance US\$'000	Cash movements US\$'000	Capital allocated US\$'000	Foreign exchange gain/(loss) US\$'000	Closing balance US\$'000
Trade and other receivables	1,611	(256)	-	156	1,511
Inventories	821	291	-	(87)	1,025
Trade and other payables	(4,780)	(3,178)	2,599	1,816	(3,543)
Total	(2,348)	(3,143)	2,599	1,885	(1,007)

(29) Related parties

Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

Name	Relationship
Mark Summers	Director
Louis Loubser	Director
Mike Nunn	Director
Linda Beal	Director
Mike Daigle	Director
Lord Robin William Renwick	Director
Gerrit Jacobus Duminy	Director
Machiel Johannes Reyneke	Director
Kropz SA	Subsidiary
Elandsfontein Land Holdings (Pty) Ltd ("ELH")	Subsidiary
Kropz Elandsfontein	Subsidiary
West Coast Fertilisers (Pty) Ltd	Subsidiary
Xsando (Pty) Ltd	Subsidiary
Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
The ARC Fund ("ARC")	Shareholder

Details of remuneration to KMP are contained in Note 20 to the Consolidated Financial Statements.

In addition to share issues to related parties set out in Note 12 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 2022 US\$'000	31 December 2021 US\$'000
Shareholder loans - ARC	17,010	16,196
Convertible debt - ARC	15,055	6,191
Derivative liability (refer Note 14)	23,037	2,656
Greenheart Foundation (refer Note 16)	510	545
Total	55,612	25,588

Related party balances

Interest accrued to related parties

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
ARC	3,407	670
Total	3,407	670

Convertible loan facilities

As described in Note 12 and 14, the Company made drawdowns totalling US\$ 39.2 million (2021: US\$ 25.8 million) under its convertible loan facilities from ARC.

(30) Categories of financial instrument

Financial assets and liabilities by category

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

	31 December 2022 US\$'000	31 December 2021 US\$'000
Financial assets at amortised cost		
Trade and other receivables	563	399
Other financial assets	860	1,357
Restricted cash	-	4,858
Cash and cash equivalents	2,120	2,461
Total	3,543	9,075
Financial liabilities at amortised cost		
Trade and other payables	7,284	3,543
Finance leases	-	7
Shareholder loans	32,065	22,387
Other financial liabilities	26,808	30,586
Total	66,157	56,523
Financial liabilities at fair value		
Derivative liability	23,037	2,656

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 14).

(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 data (unobservable inputs) (Level 3).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2022				
Derivative liability	-	-	23,037	23,037

2021

Derivative liability	-	-	2,656	2,656
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There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(iii) Reconciliation: Level 3 fair value measurement

	Year ended 31 December 2022 US\$'000	Year ended 31 December 2021 US\$'000
<i>Derivative asset</i>		
Opening balance	-	8,586
Fair value (loss) / gain recognised in profit and loss	-	(4,139)
Extinguished on issuance of equity	-	(4,447)
Closing balance	-	-
<i>Derivative liability</i>		
Opening balance	(2,656)	-
Fair value at initial recognition	(31,852)	(2,015)
Fair value gain/(loss) recognised in profit and loss	10,807	(653)
Foreign exchange	664	12
Closing balance	(23,037)	(2,656)

(iv) Valuation technique used to determine fair value

Derivative liability:

The fair value is calculated with reference to market rates using industry valuation techniques and appropriate models from a third-party provider. The Monte-Carlo model utilised includes a high level of complexity and the main inputs are share price volatility, risk margin, foreign exchange volatility and UK risk-free rate. A number of factors are considered in determining these inputs, including assessing historical experience but also considering future expectations. The determined fair value of the option is multiplied by the number of shares available for issue pursuant to the ZAR 200 Million Equity Facility, ZAR 177 Million Equity Facility and the ZAR 550 Million Equity Facility (refer to Note 14).

Valuation results (as at 31 December 2022)

Facility	Total loan amount (ZAR)	Value per share (p)	Number of Shares	Total Value (GBP)
ZAR200m facility	200,000,000	2.30	219,272,939	5,043,278
ZAR177m facility	177,000,000	1.21	96,378,567	1,166,181
ZAR550m facility	442,500,000	2.72	471,819,613	12,833,493
Total			787,471,119	19,042,952

Sensitivity Valuation results (as at 31 December 2022) - Volatility

Facility	Base volatility assumption	Total Value (GBP) - 100% historical volatility	
		(75%)	(50%) historical volatility (38%)
ZAR200m facility	57%	7,979,681	2,668,731
ZAR177m facility	57%	2,453,442	312,645

ZAR550m facility	57%	20,327,348	6,682,147
Total		30,760,471	9,663,523

Sensitivity Valuation results (as at 31 December 2022) - Risk Margin

Facility	Base risk margin assumption	Total Value (GBP) - 7% risk margin	Total Value (GBP) - 3% risk margin
ZAR200m facility	5%	5,082,230	5,013,961
ZAR177m facility	5%	1,175,389	1,158,446
ZAR550m facility	5%	12,915,580	12,698,104
Total		19,173,199	18,870,511

Sensitivity Valuation results (as at 31 December 2022) - FX volatility

Facility	Base FX volatility	Total Value (GBP) - 20% FX volatility	Total Value (GBP) - 10% FX volatility
ZAR200m facility	14%	4,680,397	5,322,515
ZAR177m facility	14%	1,017,667	1,285,233
ZAR550m facility	14%	11,855,707	13,508,493
Total		17,553,771	20,116,241

Sensitivity Valuation results (as at 31 December 2022) - UK risk-free rate

Facility	Base UK risk-free rate	Total Value (GBP) - UK rf + 2%	Total Value (GBP) - UK rf -2%
ZAR200m facility	3.6%	4,716,201	5,405,789
ZAR177m facility	3.6%	1,074,410	1,267,672
ZAR550m facility	3.6%	11,779,774	13,933,510
Total		17,570,385	20,606,971

(31) Financial risk management objectives

Capital risk management:

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

The capital structure of the Group consists of shareholder and external debt, which includes loans and borrowings (excluding derivative financial liabilities) disclosed in Notes 14 and 16 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 2022				
Shareholder loans payable	-	-	152,099	-
Trade and other payables	7,283	-	-	-
Finance leases	-	-	-	-
Other financial liabilities	17,233	11,747	-	-
Total	24,516	11,747	152,099	-

	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 2021				
Shareholder loans payable	-	-	13,711	24,246
Trade and other payables	3,543	-	-	-
Finance leases	7	-	-	-
Other financial liabilities	5,676	15,950	11,509	-
Total	9,226	15,950	25,220	24,246

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 2022, if interest rates on the shareholder and BNP loans (denominated in US\$) had been 1% higher/lower with all other variables held constant, post-tax losses and equity for the year would have been approximately US\$ 769,000 (2021: US\$ 541,000) higher/lower respectively.

Foreign currency risk:

Foreign currency risk is the risk that the fair value of 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		
	South African Rand US\$'000	British Pound US\$'000	Total US\$'000
As at 31 December 2022			
Financial assets denominated in US\$	-	28	28
Financial liabilities denominated in US\$	(43,260)	-	(43,260)
Net foreign currency exposure	(43,260)	28	(43,232)

	Functional currency		
	South African Rand US\$'000	British Pound US\$'000	Total US\$'000
As at 31 December 2021			
Financial assets denominated in US\$	-	313	313
Financial liabilities denominated in US\$	(46,196)	-	(46,196)
Net foreign currency exposure	(46,196)	313	(45,883)

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% 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 2022 Increase/ (Decrease) US\$'000	As at 31 December 2021 Increase/ (Decrease) US\$'000
Effects on net assets		
Rand:		
- strengthened by 10%	(5,832)	(4,620)

- weakened by 10%	5,832	4,620
Effects on net assets		
GBP:		
- strengthened by 10%	(1,296)	31
- weakened by 10%	1,296	(31)

(32) 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.

	South Africa US\$'000	Congo US\$'000	Group US\$'000
As at 31 December 2022			
Total non-current assets	<u>69,795</u>	<u>42,445</u>	<u>112,240</u>
	South Africa US\$'000	Congo US\$'000	Group US\$'000
As at 31 December 2021			
Total non-current assets	<u>136,431</u>	<u>44,663</u>	<u>181,094</u>

(33) Non-controlling interests

	31 December 2022 US\$'000	31 December 2021 US\$'000
As at beginning of year	5,778	5,729
Share of losses for the year	(31,185)	(4,471)
Share of other comprehensive income	142	(1,043)
Disposal of subsidiary	-	181
Kropz plc's investment in non-redeemable preference shares of Kropz Elandsfontein attributable to non-controlling interest	<u>5,411</u>	<u>5,382</u>
As at end of the year	<u>(19,854)</u>	<u>5,778</u>

(34) Material subsequent events

The third drawdown on the ZAR 550 Million Equity Facility of ZAR 60 million (approximately US\$ 3.5 million) occurred on 25 January 2023.

The fourth drawdown on the ZAR 550 Million Equity Facility of ZAR 40 million (approximately US\$ 2.2 million) occurred on 27 February 2023.

First bulk shipment and sale of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein was announced on 23 January 2023.

A second shipment and sale of 20,000 tonnes of phosphate concentrate from Kropz Elandsfontein was announced on 14 March 2023.

During April 2023 two further shipments of 33,000 tonnes and 11,000 tonnes were sold. A further 33,000 tonnes were sold in June 2023.

As announced on 14 March 2023, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 285 million (approximately US\$ 15.5 million) bridge loan facilities ("Loan 4") to meet immediate cash requirements at Kropz Elandsfontein. A first draw down of ZAR 25 million (approximately US\$ 1.4 million) on Loan 4 was made on 14 March 2023. Loan 4 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 4 at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly.

A second draw down on Loan 4 for an amount of ZAR 90 million was made on 28 March 2023 and a third drawdown of ZAR 30 million was made on 25 April 2023 and a fourth drawdown of ZAR 80 million was made on 23 June 2023.

(35) Ultimate controlling party

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