# KROPZ PLC

Registered number 11143400

## UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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**Kropz plc ("Kropz", the "Company") and its subsidiaries (the "Group")**
**Unaudited Results for the Six Months ended 30 September 2024**

Kropz plc (AIM: KRPZ), an emerging African phosphate developer and producer, is pleased to announce its unaudited results for the six months ended 30 September 2024.

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

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### Operational highlights

The Group recorded revenue of US$ 14.1 million for the six months ended 30 September 2024. Throughout the six months, Elandsfontein continued operating in trial production while ramping up production.

Challenges at Elandsfontein relating to the nature and excessive amount of slimes material encountered in the ore deposit continues limiting production throughput. Management believes that most of the issues related to the high slimes content ore will be addressed through the recently installed centrifuge unit and additional modifications to the processing circuit. The project has yielded positive results from the initial commissioning. The centrifuge unit has, however, suffered an early setback after it was commissioned due to machinery failure, within its warranty period. Although interim measures have been taken while the repairs are being made, the unit is only expected to be fully operational during the first quarter of 2025.

The Elandsfontein mine is still in its trial production phase and further challenges can be expected as it progresses towards full production.

The Company is glad to report and celebrate close to two years free of loss of time due to injury. The Company adheres to strict health and safety standards and international best practices. The safety of the Company's employees and other stakeholders remains a key focus point of management. Kropz continues to give back to local communities through various projects.

### Key financial indicators

- Elandsfontein recognised trial revenue during the six month period under review. In total, Elandsfontein achieved total sales of US$ 14.1 million for the six months ended 30 September 2024 (Fifteen month period ended: 31 March 2024: US$ 40 million). This was below expectations due to the significant mining and production challenges faced relating to the ore variability for which a solution is being investigated.
- As the Company is still ramping up to steady-state production, a gross loss has been recognised in the period of US$ 6.4 million. The loss was largely due to Elandsfontein having to discount its sales prices as a new market entrant and to consider lower grades being achieved as part of the ramp-up process, coupled with higher production costs per tonne. With Elandsfontein operating below planned production levels operational costs per tonne remain elevated.
- Property, plant, equipment and exploration assets carrying value is US$ 138.5 million as at 30 September 2024 (31 March 2024: US$ 128.6 million).
- Cash at 30 September 2024 of US$ 1.0 million (31 March 2024: US$ 1.0 million);
- Shareholder loans and derivatives at 30 September 2024 of US$ 131.0 million (31 March 2024: US$ 94.4 million).
- Trade and other payables at 30 September 2024 of US$ 14.2 million (31 March 2024: US$ 9.5 million).
- As announced on 11 July 2024, Kropz Elandsfontein and ARC Fund ("ARC") agreed to a ZAR 140 million (approximately US$ 8 million) bridge loan facility (the "Loan") to meet immediate cash requirements at Kropz Elandsfontein. The loan was fully drawn at 22 August 2024.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. In the event that any amounts outstanding under the loan, together with interest thereon, are not repaid within 6 months from the first utilisation date, the interest rate will be increased by an additional 2%.

## Key corporate and operational developments during the period

### Corporate

- The Group announced on 3 September 2024, a restructuring of its debt obligations ("Restructuring") and a fundraising that was conditional on shareholders' approval and approval by the South African Reserve Bank ("SARB"). As a result of the Restructuring, Kropz Elandsfontein (Pty) Ltd and Elandsfontein Land Holdings (Pty) Ltd (the "Elandsfontein Subsidiaries") have extinguished their debt obligations towards ARC. Kropz has a convertible debt balance of £88.9 million (including accumulated interest) outstanding with ARC, being the aggregate of a new Convertible Loan Note ("CLN") and existing equity facilities (the "Existing Equity Facilities"). Additionally, Kropz has completed a fundraising of £8.9 million from ARC and other shareholders before expenses through the issue of new Ordinary Shares an Issue Price of 1.387 pence per new Ordinary Share in the capital of the Company (the "Fundraising"). The Issue Price represents a discount of approximately 5 per cent. to the 30-day volume weighted average share price per existing Ordinary Share to 23 August 2024. In aggregate 643,873,018 new Ordinary Shares have been allotted and issued pursuant to the Fundraising. ARC and Kropz Plc subscribed to additional equity in Kropz Elandsfontein (Pty) Ltd for R 66 million and R 154 million, respectively. The transaction was concluded in October 2024.

### Elandsfontein

- Bulk shipments and trial sales have been recorded with a total of 129,552 tonnes of phosphate concentrate sales over the six months ending 30 September 2024 from Elandsfontein. Elandsfontein, however, achieved lower sales price compared to the prevailing market price. As a new entrant in the market, in order to gain market share Elandsfontein was required to offer discounted pricing to market participants. Furthermore, Elandsfontein produced lower grade phosphate product as part of its ramp-up operations, which also impacted the sales price. Elandsfontein is aiming to achieve better prices going forward in the market as both quality and market reputation improves.
- Sales volumes are below expectations due to the lack of available stock on hand. Production has been negatively impacted by seasonal rains during the period under review and continued ore variability.

### Hinda

- The Company is still in the process of identifying potential funding solutions for the development of Hinda.
- Engagement is ongoing with local government regarding project development and progress.
- A reduced-sized project is 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 Company is also engaging with possible suppliers and third parties to investigate possible efficiencies and capital expenditure reductions in the proposed feasibility study.

## Key developments post the period end

### Corporate

- Following the announcement on 3 September 2024, the restructuring of its debt obligations ("Restructuring") and a fundraising was concluded in October 2024.
- The BNP loan facility has been fully repaid.
- As announced on 6 November 2024, Kropz Chair, Lord Renwick of Clifton, passed away. With his sharp intellect and unwavering leadership, we are deeply saddened by his passing.
- As announced on 6 November 2024, the Kropz board has appointed Linda Beal as Interim Chair.

### Elandsfontein

- Post period end, Elandsfontein achieved production of 49,778 tonnes of phosphate concentrate and sales of 65,710 tonnes of phosphate concentrate from October 2024 to November 2024.
- The Company's rock phosphate has been qualified at customers in South Korea, Australia, New Zealand and Brazil at both single superphosphate ('SSP") and Phosphoric acid producers.
- Since the start of the 2024 calendar year, Kropz's core customer base was narrowed down to focus on South Korea, Australia, New Zealand and Brazil, where the special properties of Kropz Rock

Phosphate (Low Cadmium, - toxic metals, - moisture, - odour and - CaO levels) are complementary to country rules dictating the final product properties.

- Management expects there to be more than sufficient demand for Elandsfontein's Rock Phosphate forecast production to the end of 2025. Two shipments have been planned for qualification trials in both India and Europe to further diversify the customer base.
- As Elandsfontein has yet to achieve break-even production levels and production ramp up is still ongoing the Group may be dependent on future fund raisings to meet any costs that cannot be met from existing cash resources and sales revenue.

**Hinda**

- The reduced sized project continues to be 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 update of the project feasibility is ongoing. Cominco has engaged with two engineering firms and local contractors.
- The Company continues to invest in and prioritise ongoing community projects.

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

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


| | |
|---|---|
| **Kropz Plc**<br>Louis Loubser (CEO) | **Via Tavistock**<br>+44 (0) 207 920 3150 |
| **Grant Thornton UK LLP**<br>Samantha Harrison<br>Harrison Clarke<br>Ciara Donnelly | **Nominated Adviser**<br>+44 (0) 20 7383 5100 |
| **Hannam & Partners**<br>Andrew Chubb<br>Ernest Bell | **Broker**<br>+44 (0) 20 7907 8500 |
| **Tavistock**<br>Nick Elwes<br>Jos Simson | **Financial PR & IR (UK)**<br>+44 (0) 207 920 3150<br>kropz@tavistock.co.uk |
| **R&A Strategic Communications**<br>Charmane Russell<br>Marion Brower | **PR (South Africa)**<br>+27 (0) 11 880 3924<br>charmane@rasc.co.za<br>marion@rasc.co.za |


**About Kropz plc**

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

| | Notes | 30 September 2024 Unaudited US$'000 | 31 March 2024 Audited US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant, equipment and mine development | 7 | **93,730** | 85,411 |
| Exploration assets | 8 | **44,790** | 43,172 |
| Other financial assets | | **1,738** | 1,527 |
| Inventories | | **1,370** | 955 |
| | | **141,628** | **131,065** |
| **Current assets** | | | |
| Inventories | | **8,389** | 5,775 |
| Trade and other receivables | | **2,970** | 6,913 |
| Cash and cash equivalents | | **1,030** | 968 |
| | | **12,389** | **13,656** |
| **TOTAL ASSETS** | | **154,017** | **144,721** |
| **Current liabilities** | | | |
| Trade and other payables | | **14,199** | 9,516 |
| Shareholder loans and derivatives | 9 | **131,014** | 94,434 |
| Other financial liabilities | 10 | **4,253** | 11,722 |
| Current taxation liabilities | | **68** | 650 |
| | | **149,534** | **116,322** |
| **Non-current liabilities** | | | |
| Provisions | | **1,622** | 1,375 |
| | | **1,622** | **1,375** |
| **TOTAL LIABILITIES** | | **151,156** | **117,697** |
| **NET ASSETS** | | **2,861** | **27,024** |
| **Shareholders' equity** | | | |
| Share capital | | **1,212** | 1,212 |
| Share premium | | **194,063** | 194,063 |
| Merger reserve | | **(20,523)** | (20,523) |
| Foreign exchange translation reserve | | **(13,834)** | (12,132) |
| Share-based payment reserve | | **316** | 295 |
| Accumulated losses | | **(125,778)** | (108,577) |
| Total equity attributable to the owners of the Company | | **35,456** | **54,338** |
| Non-controlling interests | | **(32,595)** | **(27,314)** |
| | | **2,861** | **27,024** |

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

| | Notes | Six months ended 30 September 2024 Unaudited US$'000 | Six months ended 30 September 2023 Unaudited US$'000 |
|---|---|---|---|
| Revenue | 11 | **14,130** | 17,842 |
| Cost of Sales | | **(20,569)** | (17,244) |
| **Gross (loss) / profit** | | **(6,439)** | **598** |
| Other income | | **33** | 31 |
| Selling and distribution expenses | | **(2,052)** | (2,252) |
| Operating expenses | | **(2,661)** | (1,937) |
| **Operating loss** | | **(11,119)** | **(3,560)** |
| Finance income | 12 | **129** | 89 |
| Finance expense | 13 | **(8,462)** | (9,221) |
| Fair value (loss) / gain from derivative liability | 14 | **(2,597)** | 12,063 |
| **Loss before taxation** | | **(22,049)** | **(629)** |
| Taxation | 15 | **595** | - |
| **Loss for the period** | | **(21,454)** | **(629)** |
| **Loss / (profit) attributable to:** | | | |
| Owners of the Company | | **(17,201)** | 3,697 |
| Non-controlling interests | | **(4,253)** | (4,326) |
| | | **(21,454)** | **(629)** |
| **Other comprehensive income:** | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **(2,730)** | (323) |
| **Total comprehensive loss** | | **(24,184)** | **(952)** |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(18,903)** | 2,887 |
| Non-controlling interests | | **(5,281)** | (3,839) |
| | | **(24,184)** | **(952)** |
| **Earnings / (loss) per share attributable to owners of the Company**: | | | |
| Basic and diluted (US cents) | 16 | **(1.86)** | 0.40 |

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

**CONDENSED INTERM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

| | Share capital US$'000 | Share premium US$'000 | Merger reserve US$'000 | Foreign currency translation reserve US$'000 | Share-based payment reserve US$'000 | Retained earnings US$'000 | Total attributable to owners US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Unaudited – Six months ended 30 September 2024** | | | | | | | | | |
| **Balance at 1 April 2024** | **1,212** | **194,063** | **(20,523)** | **(12,132)** | **295** | **(108,577)** | **54,338** | **(27,314)** | **27,024** |
| Total comprehensive loss for the period | - | - | - | (1,702) | - | (17,201) | (18,903) | (5,281) | (24,184) |
| Share based payment charges | - | - | - | - | 21 | - | 21 | - | 21 |
| **Transactions with owners** | **-** | **-** | **-** | **(1,702)** | **21** | **(17,201)** | **(18,882)** | **(5,281)** | **(24,163)** |
| **Balance at 30 September 2024** | **1,212** | **194,063** | **(20,523)** | **(13,834)** | **316** | **(125,778)** | **35,456** | **(32,595)** | **2,861** |
| **Audited – Six months ended 30 September 2023** | | | | | | | | | |
| **Balance at 1 April 2023** | **1,212** | **194,063** | **(20,523)** | **(11,392)** | **285** | **(125,765)** | **37,880** | **(22,895)** | **14,985** |
| Total comprehensive (loss ) / income for the period | - | - | - | (810) | - | 3,697 | 2,887 | (3,839) | (952) |
| Share options exercised | - | | - | - | - | - | - | - | - |
| Share based payment charges | - | - | - | - | 44 | - | 44 | - | 44 |
| **Transactions with owners** | **-** | **-** | **-** | **(810)** | **44** | **3,697** | **2,931** | **(3,839)** | **(908)** |
| **Balance at 30 September 2023** | **1,212** | **194,063** | **(20,523)** | **(12,202)** | **329** | **(122,068)** | **40,811** | **(26,734)** | **14,077** |

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

| | Six months ended 30 September 2024 Unaudited US$'000 | Six months ended 30 September 2023 Unaudited US$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | **(22,049)** | (629) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **395** | 28 |
| Share-based payment | **12** | 20 |
| Interest income | **(129)** | (89) |
| Interest expense | **11,996** | 6,759 |
| Fair value gain / (loss) from derivative liability | **2,597** | (12,063) |
| Debt Modification Present value adjustment | **(105)** | (103) |
| Foreign currency exchange differences | **(2,895)** | 2,655 |
| Fair value loss / (gain) on game animals | **32** | (24) |
| **Operating cash flows before working capital changes** | **(10,146)** | **(3,446)** |
| Decrease / (increase) in trade and other receivables | **4,418** | (3,799) |
| Increase in inventories | **(2,179)** | (3,091) |
| Increase in payables | **3,493** | 3,658 |
| **Net cash flows used in operating activities** | **(4,414)** | **(6,678)** |
| | | |
| **Cash flows used in investing activities** | | |
| Purchase of property, plant and equipment | **(1,532)** | (937) |
| Exploration and evaluation expenditure | **(89)** | (192) |
| Other financial assets | **(56)** | (10) |
| Interest received | **129** | 89 |
| **Net cash flows used in investing activities** | **(1,548)** | **(1,050)** |
| | | |
| **Cash flows from financing activities** | | |
| Finance cost paid | **(366)** | (1,230) |
| Shareholder loan received | **13,690** | 17,420 |
| Repayment of other financial liabilities | **(7,564)** | (7,495) |
| **Net cash flows from financing activities** | **5,760** | **8,695** |
| | | |
| **Net (decrease) / increase in cash and cash equivalents** | **(202)** | **967** |
| Cash and cash equivalents at beginning of the period | **968** | 3,264 |
| Foreign currency exchange gains / (losses) on cash | **264** | (430) |
| **Cash and cash equivalents at end of the period** | **1,030** | **3,801** |

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

**1. General information**

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

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

**2. Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the AIM rules and in accordance with the accounting policies of the consolidated financial statements for the period ended 31 March 2024. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2024 annual report. The statutory financial statements for the period ended 31 March 2024 were prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under the International Financial Reporting Standards ("IFRS").

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

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

The interim financial information was approved and authorised for issue by the Board of Directors on 18 December 2024.

**3. Going concern**

During the six month interim period ended 30 September 2024, the Group incurred a loss of US$ 21 million (15 months ended 31 March 2024: profit of US$ 0.3 million) and experienced net cash outflows from operating activities. Cash and cash equivalents totalled US$ 1.0 million as at 30 September 2024 (31 March 2024: US$ 1.0 million).

Elandsfontein is currently the Group's only operating asset and source of revenue. As Elandsfontein is still busy ramping up its operations and has yet to achieve break-even production levels, an operating loss is also expected for the full financial year ending 31 March 2025. Although the Elandsfontein production levels are expected to increase over the next 12 months, there remains a risk that these improvements could be delayed or not result in sufficient increases in production levels to achieve break even. As such, the Group may consequently be dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements that cannot be met from existing cash resources and sales revenue.

The Group announced on 3 September 2024, a restructuring of its debt obligations ("Restructuring") and a fundraising. As a result of the Restructuring, Kropz Elandsfontein (Pty) Ltd and Elandsfontein Land Holdings (Pty) Ltd (the "Elandsfontein Subsidiaries") have extinguished their debt obligations to ARC through a combination of new issuances of equity and convertible debt instruments. Kropz has a convertible debt of £88.9 million (including accumulated interest) outstanding with ARC, being the aggregate of a new Convertible Loan Notes ("CLN") issued as part of the restructuring and existing equity facilities (the "Existing Equity Facilities"). Additionally, post the period end Kropz has completed a capital raise of £8.9 million from ARC and other shareholders before expenses through the issue of new ordinary shares at an issue price of 1.387 pence per new ordinary share in the capital of the Company (the "Fundraising"). The issue price represents a discount of approximately 5 per cent. to the 30-day volume weighted average share price per existing ordinary share to 23 August 2024. In aggregate 643,873,018 new ordinary shares have been allotted and issued pursuant to the Fundraising. Both the Restructuring and Fundraising were concluded after the reporting date.

*Operational cash flows*

No additional impairment or reversal of impairment was recognised as at 30 September 2024 following the impairment reversal of US$ 19 million recognised at 31 March 2024 in relation to the Elandsfontein mine. The recoverable amount was based on the latest life of mine (LOM) plans following the updated mineral resource estimate ('MRE") as announced on 20 June 2024. The recoverable amount of the Elandsfontein mine was estimated based on discounted cash flows 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, capital requirements and its eventual disposal based on the CGU's latest LOM plans. These calculations include a number of estimates which if the actual outcome were different could have a significant impact on the impairment assessment, 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 cash flow 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 latest mine plan, per the updated MRE as announced on 20 June 2024.

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. 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 assessment. However, it is expected that as mining and drilling activities progress, progressively more of the total resource will be reclassified from inferred to measured and indicated. In the updated MRE, the measured and indicated portions increased by 72% based on updated drilling and statistical estimation.

The 18-month forecast follows the fundraising as described in Note 20.

The critical estimates in the LOM plan and forecast cashflows expected to be generated can be summarised 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.

In total Elandsfontein managed to achieve trial production sales totalling US$14.1 million during the interim period (fifteen months ended 31 March 2024: US 40 million). Since 30 September 2024 and the date of the financial statements, an additional US$ 8.6 million sales have been recognised.

Kropz is and remains a new entrant to the phosphate market and has to date sold its shipments at a discount to prevailing market prices. The discount was taken into account in the going concern testing models. The discount is, however, expected to unwind as Elandsfontein builds its reputation, establishes itself in the global market and improves its production quality and stability. As modifications are planned and efficiency improvements are implemented at Elandsfontein,

Elandsfontein should see a gradual improvement in both grade and quality, some of which have already materialised.

*Phosphate recoveries:* 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 upon 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 are subject to significant uncertainty given the ongoing ramp-up. The production ramp-up has been delayed largely by the need to re-engineer parts of the fine flotation circuit proposed by the vendor. Mining and processing have also been affected by early unpredicted ore variability and lack of operator experience. The Company is in the process of analysing the hard bank and pink ore material to identify the appropriate method of mining and processing to improve production yield. Production throughput is also being limited by the nature of slimes material and, the Company has invested in new equipment to seek to overcome this and aims to increase production throughput.

*Reserves and resources:* The LOM plan includes only the measured and indicated resources as defined in the MRE which represents only around 8 years of forecast production. There was a significant increase in the measured and indicated resources in the MRE issued in March 2024 (an increase of 72%) compared to the MRE issued in December 2022. The Directors believe that the inferred resources in the MRE are capable of being accessed giving a mine life of around 12 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 are based on a consensus for the period to year 2028. Future years' exchange rates were estimated using the prevailing inflation and interest rate differential between USD and ZAR.

*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. The forecast mine and plant costs were based on the contracted rates with the current mine and plant operators. Production cost per tonne currently is higher than sales per tonne as full production has not been reached to date, leading to a gross loss per tonne. The forecast assumes that as production volumes increase the average cost per tonne of phosphate will decrease with economies of scale and further efficiency gains.

*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 (the higher rates were used in the forecast) for Saldanha for the shipments in 2023 and 2024 to date.

*Discount rates*: A discount rate of 13.98% 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 the interest-bearing borrowings the Group is obliged to service and the expected cost of any incremental debt.

There is a risk that revenue remains subdued and below operating costs and as a result the expected improvement in operating margin included in the discounted cashflows, may not materialise. In such a scenario the recoverable amount from the Elandsfontein mine will be lower than the discounted cashflows and subsequently impact the impairment assessment conclusion.

*Funding*
The Group is dependent on future fundraisings to meet production costs, overheads, future development and exploration requirements which cannot be met from existing cash resources and sales revenue alone.

The ARC Fund, on various occasions in the past, provided funding to support the Group's operations. During the 21 month period to 30 September 2024 financial period end, Kropz, Kropz Elandsfontein and ARC Fund agreed to further funding totalling ZAR 960 million (approximately US$ 52.2 million) bridge loan facilities ("Loan") to meet immediate cash requirements at Kropz Elandsfontein. The bridge loans have been fully settled as part of the Restructuring and Fundraising transaction as described more fully in Note 20.

The BNP debt facility has been fully settled following the interim period 30 September 2024.

Management has successfully raised money in the past from its supportive major shareholder, but there is no guarantee that any additional funds that might be required will be available if needed in the future.

*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 for a period of 18 months from the date of approval of these interim financial statements.

For these reasons, the interim 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 any additional funding that might be required 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 interim financial statements do 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.

## 4. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation uncertainties in its interim consolidated financial statements as in its audited financial statements for the fifteen months ended 31 March 2024, except for the following amendments. However, none of the recent amendments to IFRS are expected to materially impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning on or after 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

## 5. Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of the mine development. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "trial production" to "steady state production".

Some of the criteria used to identify the production start date include, but are not limited to:
- The percentage grade (phosphate concentrate) and volume of ore being mined is sufficiently economic and consistent with the plant design specifications;
- Ability to produce phosphate in saleable form (within specifications); and
- Ability to sustain ongoing production of phosphate.

When the mine moves into the steady state production, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for the costs that qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. It is also at this point that depreciation/amortisation commences. Refer to Note 7.

## 6. Segmental 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 revenues and non-current assets by location of assets are detailed below.

| **Six months to 30 September 2024** | **Revenues US$'000** | **Non-Current Assets US$'000** |
|---|---|---|
| South Africa | **14,130** | **96,649** |
| Republic of Congo | **-** | **44,979** |
| | **14,130** | **141,628** |

| **Fifteen months to 31 March 2024** | **Revenues US$'000** | **Non-Current Assets US$'000** |
|---|---|---|
| South Africa | 40,087 | 87,685 |
| Republic of Congo | - | 43,380 |
| | **40,087** | **131,065** |

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

| | 30 Sep 2024 Cost US$'000 | 30 Sep 2024 Accumulated depreciation and impairment US$'000 | 30 Sep 2024 Carrying value US$'000 | 31 Mar 2024 Cost US$'000 | 31 Mar 2024 Accumulated depreciation and impairment US$'000 | 31 Mar 20224 Carrying value US$'000 |
|---|---|---|---|---|---|---|
| **Buildings and infrastructure** | | | | | | |
| Land | **1,404** | **(615)** | **789** | 1,278 | (615) | 663 |
| Buildings | **10,312** | **(4,429)** | **5,883** | 9,379 | (3,949) | 5,430 |
| Capitalised road costs | **7,530** | **(5,673)** | **1,857** | 6,853 | (4,906) | 1,947 |
| Capitalised electrical sub-station costs | **3,267** | **(2,419)** | **848** | 2,973 | (2,090) | 883 |
| **Machinery, plant and equipment** | | | | | | |
| Critical spare parts | **2,065** | **(847)** | **1,218** | 1,824 | (755) | 1,069 |
| Plant and machinery | **96,329** | **(40,602)** | **55,727** | 86,837 | (36,243) | 50,594 |
| Water treatment plant | **3,781** | **(1,369)** | **2,412** | 2,941 | (1,222) | 1,719 |
| Furniture and fittings | **56** | **(46)** | **10** | 51 | (40) | 11 |
| Geological equipment | **78** | **(61)** | **17** | 71 | (52) | 19 |
| Office equipment | **136** | **(131)** | **5** | 130 | (125) | 5 |
| Other fixed assets | **1** | **(1)** | **-** | 1 | (1) | - |
| Motor vehicles | **266** | **(124)** | **142** | 252 | (93) | 159 |
| Computer equipment | **149** | **(137)** | **12** | 138 | (121) | 17 |
| **Mine development** | **19,555** | **(8,039)** | **11,516** | 17,762 | (7,148) | 10,614 |
| **Stripping activity costs** | **22,589** | **(9,522)** | **13,067** | 20,536 | (8,492) | 12,044 |
| **Game animals** | **227** | **-** | **227** | 237 | - | 237 |
| **Total** | **167,745** | **(74,015)** | **93,730** | **151,263** | **(65,852)** | **85,411** |

**Reconciliation of property, plant, equipment and mine development – Period ended 30 September 2024**

| | Opening Balance US$'000 | Additions US$'000 | Fair value gain US$'000 | Deprecia-tion charge US$'000 | Foreign exchange loss US$'000 | Closing balance US$'000 |
|---|---|---|---|---|---|---|
| **Buildings and infrastructure** | | | | | | |
| Land | **663** | **-** | **-** | **-** | **126** | **789** |
| Buildings | **5,430** | **10** | **-** | **(16)** | **459** | **5,883** |
| Capitalised road costs | **1,947** | **-** | **-** | **(236)** | **146** | **1,857** |
| Capitalised electrical sub-station costs | **883** | **-** | **-** | **(102)** | **66** | **847** |
| **Machinery, plant and equipment** | | | | | | |
| Critical spare parts | **1,069** | **57** | **-** | **-** | **92** | **1,218** |
| Plant and machinery | **50,594** | **883** | **-** | **(5)** | **4,256** | **55,728** |
| Water treatment plant | **1,719** | **517** | **-** | **-** | **175** | **2,411** |
| Furniture and fittings | **11** | **-** | **-** | **(1)** | **1** | **11** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Geological equipment | **19** | **-** | **-** | **(4)** | **2** | **17** |
| Office equipment | **5** | **1** | **-** | **(1)** | **-** | **5** |
| Other fixed assets | **-** | **-** | **-** | **-** | **-** | **-** |
| Motor vehicles | **159** | **-** | **-** | **(22)** | **6** | **143** |
| Computer equipment | **17** | **2** | **-** | **(8)** | **-** | **11** |
| **Mine development** | **10,614** | **38** | **-** | **-** | **864** | **11,516** |
| **Stripping activity costs** | **12,044** | **26** | **-** | **-** | **998** | **13,068** |
| **Game animals** | **237** | **-** | **(32)** | **-** | **21** | **226** |
| **Total** | **85,411** | **1,534** | **(32)** | **(395)** | **7,212** | **93,730** |

**Reconciliation of property, plant, equipment and mine development – Year ended 31 March 2024**

| | Opening Balance US$'000 | Additions US$'000 | Disposals US$'000 | Fair value gain/ (loss) US$'000 | Impair-ment US$'000 | Depreciation charge US$'000 | Foreign exchange loss US$'000 | Closing balance US$'000 |
|---|---|---|---|---|---|---|---|---|
| **Buildings and infrastructure** | | | | | | | | |
| Land | **623** | - | | - | 337 | - | (297) | **663** |
| Buildings | **4,243** | **516** | | (1) | 1,109 | (37) | (400) | **5,430** |
| Capitalised road costs | **1,891** | - | - | - | 800 | (582) | (162) | **1,947** |
| Capitalised electrical sub-station costs | **852** | - | - | - | 356 | (252) | (73) | **883** |
| **Machinery, plant and equipment** | | | | | | | | |
| Critical spare parts | **784** | 218 | - | - | 138 | - | (71) | **1,069** |
| Plant and machinery | **41,575** | 1,186 | - | (42) | 11,768 | (202) | (3,691) | **50,594** |
| Water treatment plant | **1,025** | 853 | - | - | (60) | - | (99) | **1,719** |
| Furniture and fittings | **15** | **-** | - | - | - | (4) | - | **11** |
| Geological equipment | **31** | - | - | - | - | (9) | (3) | **19** |
| Office equipment | **2** | 129 | - | (27) | - | (99) | - | **5** |
| Other fixed assets | **-** | - | - | - | - | - | - | **-** |
| Motor vehicles | **-** | 127 | - | 56 | - | (24) | - | **159** |
| Computer equipment | **34** | 70 | (2) | - | - | (81) | (4) | **17** |
| **Mine development** | **7,936** | 1,812 | - | - | 1,570 | - | (704) | **10,614** |
| **Stripping activity costs** | **9,772** | 474 | - | - | 2,665 | - | (867) | **12,044** |
| **Game animals** | **182** | - | - | 74 | - | - | (19) | **237** |
| **Total** | **68,965** | **5,385** | **(2)** | **60** | **18,683** | **(1,290)** | **(6,390)** | **85,411** |

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for US$ 30 million, outstanding balance as at 30 September: $3 750 000 (see Note 10). 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"). The facility was fully repaid after 30 September 2024.

**8. Intangible assets - exploration and evaluation costs**

| | 30 September 2024 US$'000 | 31 March 2024 US$'000 |
|---|---|---|
| **Capitalised exploration costs** | | |
| Cost | **44,790** | 43,172 |
| Amortisation | **-** | - |
| **Carrying value** | **44,790** | **43,172** |

**Reconciliation of exploration assets**

| | Opening Balance US$'000 | Additions US$'000 | Disposals US$'000 | Foreign exchange Gain US$'000 | Closing balance US$'000 |
|---|---|---|---|---|---|
| **Period ended 30 September 2024** | | | | | |
| Capitalised exploration costs | **43,172** | **98** | **-** | **1,520** | **44,790** |

**Reconciliation of exploration assets**

| | Opening Balance US$'000 | Additions US$'000 | Disposals US$'000 | Foreign exchange loss US$'000 | Closing balance US$'000 |
|---|---|---|---|---|---|
| **Period ended 31 March 2024** | | | | | |
| Capitalised exploration costs | **42,415** | 393 | - | 364 | **43,172** |

The costs of mineral resources acquired and associated exploration and evaluation costs are not subject to amortisation until they are included in the life-of-the-mine plan and production has commenced.

Where assets are dedicated to a mine, the useful lives are subject to the lesser of the asset category's useful life and the life of the mine, unless those assets are readily transferable to another productive mine. In accordance with the requirements of IFRS 6, the Board of Directors assessed whether there were any indicators of impairment. No indicators were identified.

**9. Shareholder loans and derivative liability**

| | 30 September 2024 US$'000 | 31 March 2024 US$'000 |
|---|---|---|
| Shareholder loans – ARC Fund | **19,623** | 18,826 |
| Demand Loan facility – ARC Fund | **65,913** | 41,745 |
| Convertible debt – ARC Fund | **35,896** | 27,387 |
| Derivative liability | **9,582** | 6,476 |
| | **131,014** | **94,434** |
| | | |
| **Maturity** | | |
| Non-current | **-** | - |
| Current | **131,014** | 94,434 |
| **Total** | **131,014** | **94,434** |

**Shareholder loans - ARC Fund**

The loans are: (i) US$ denominated, but any repayments will be made in ZAR at the then prevailing ZAR/US$ exchange rate; (ii) carry interest at monthly 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). The Shareholder loans were fully settled as part of the Restructuring transaction (Note 20).

**Demand Loan facility – ARC Fund**
The loans are unsecured, repayable on demand, and interest accruing at SA prime overdraft rate plus 6%, if not repaid within 6 months from first utilisation date rate increases by 2%. The Demand Loan facility was fully settled as part of the Restructuring transaction (Note 20).

**Convertible debt – ARC Fund**
On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million (“ZAR 200 Million Equity Facility”) with ARC, 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 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 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 0.048824 (“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 ZAR 550 Million Equity Facility is fully drawn at the date of this report.

**Derivative 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 19).

**Fair value of shareholder loans**
The carrying value of the loans approximates their fair value.

## 10. Other financial liabilities

| | **30 September 2024 US$’000** | **31 March 2024 US$’000** |
|---|---|---|
| BNP Paribas (“BNP”) | **3,750** | 11,262 |

| | | |
|---|---|---|
| Greenheart Foundation | **503** | 460 |
| **Total** | **4,253** | **11,722** |

**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 LIBOR, up to project completion and 4.5% plus 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 provided, a waiver to 30 September 2024. The outstanding balance is therefore presented as a current liability. The facility was fully repaid post 30 September 2024.

**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 Kropz plc, is a Director of Greenheart Foundation.

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

## 11. Revenue

| | **Six months ended 30 September 2024 US$'000** | **Six months ended 30 September 2023 US$'000** |
|---|---|---|
| **Sales to region/country** | | |
| South Africa | **27** | 9 |
| Australia | **2,174** | 1,454 |
| Brazil | **1** | 4,815 |
| New Zealand | **4,117** | - |
| South Korea | **7,811** | 11,564 |
| | **14,130** | **17,842** |
| | | |
| **Timing of transfer of Goods** | | |
| Delivery to port of departure | **14,130** | **17,842** |
| | **14,130** | **17,842** |

All 2024 revenue from phosphate is trial revenue. All 2024 revenue from phosphate is recognised at a point in time when control transfers.

## 12. Finance income

| | **Six months ended 30 September 2024 US$'000** | **Six months ended 30 September 2023 US$'000** |
|---|---|---|
| Interest income | **129** | 89 |
| **Total** | **129** | **89** |

## 13. Finance expense

| | Six months ended 30 September 2024 US$'000 | Six months ended 30 September 2023 US$'000 |
|---|---|---|
| Shareholder loans | **11,434** | 5,371 |
| Foreign exchange (gains) / losses | **(3,429)** | 2,565 |
| Bank debt | **356** | 1,217 |
| BNP Paribas – Debt modification present value adjustment amortisation | **(105)** | (103) |
| BNP Paribas amendment fee amortisation | **92** | 90 |
| Other | **114** | 81 |
| **Total** | **8,462** | **9,221** |

## 14. Fair value (loss) / gain from derivative liability

| | Six months ended 30 September 2024 US$'000 | Six months ended 30 September 2023 US$'000 |
|---|---|---|
| Fair value (loss) / gain from derivative liability | **(2,597)** | 12,063 |
| **Total** | **(2,597)** | **12,063** |

The Company has entered into three convertible equity facilities with the ARC Fund. On 20 October 2021, the Company entered into the first a convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility"). The second convertible equity facility was entered into on 11 May 2022 of up to ZAR 177 million ("ZAR 177 Million Equity Facility"). On 14 November 2022, the Company entered into its third conditional convertible equity facility of up to ZAR 550 million ("ZAR 550 Million Equity Facility.") (refer to Note 9).

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 was 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 19).

## 15. Taxation

| **Major components of tax charge** | Six months ended 30 September 2024 US$'000 | Six months ended 30 September 2023 US$'000 |
|---|---|---|
| **Deferred** | | |
| Originating and reversing temporary differences | **-** | - |
| **Current tax** | | |
| UK tax in respect of the prior period | **595** | - |
| UK tax in respect of the current period | **-** | - |
| **Total** | **595** | **-** |

The Group had losses for tax purposes of approximately US$ 92.2 million (30 September 2023: US$ 56.3 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A net deferred tax asset arising from these losses has not been recognised as steady state production has not been reached and therefore the reversal of any potential deferred tax asset remains uncertain.

**16. Earnings per share**

There are no dilutive amounts in issue. The calculations of basic and diluted earnings per share have been based on the following loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

| | **Six months ended 30 September 2024 US$'000** | **Fifteen months ended 30 September 2023 US$'000** |
|---|---|---|
| Profit / (Loss) attributable to ordinary shareholders | **(17,201)** | 3,697 |
| Weighted average number of ordinary shares in Kropz plc | **925,818,223** | 926,718,223 |
| Basic and diluted profit / (loss) per share (US cents) | **(1.86)** | **0.40** |

**17. Related party transactions**

Details of share issues and shareholder and related party loans are explained in Notes 9 and 10. The following transactions were carried out with related parties:

**Related party balances**
**Loan accounts – Owed to related parties**

| | **30 September 2024 US$'000** | **31 March 2024 US$'000** |
|---|---|---|
| Shareholder loans – ARC Fund | **19,623** | 18,826 |
| Demand Loan facility – ARC Fund | **65,913** | 41,745 |
| Convertible debt – ARC Fund | **35,896** | 27,387 |
| Derivative liability | **9,582** | 6,476 |
| Greenheart Foundation | **503** | 460 |
| **Total** | **131,517** | **94,894** |

**Related party balances**
**Interest accrued to related parties**

| | **Six months ended 30 September 2024 US$'000** | **Six months ended 30 September 2023 US$'000** |
|---|---|---|
| ARC Fund | **11,434** | 5,371 |
| **Total** | **11,434** | **5,371** |

**18. Seasonality of the Group's business**

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

**19. Fair value**

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 30 September 2024.

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

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

| | **As at 30 September 2024** | | **As at 31 March 2024** | |
|---|---|---|---|---|
| | **Carrying amount US$'000** | **Fair value US$'000** | **Carrying amount US$'000** | **Fair value US$'000** |
| *Financial Assets* | | | | |
| Other financial assets | **1,738** | **1,738** | 1,527 | 1,527 |
| **Total** | **1,738** | **1,738** | **1,527** | **1,527** |
| | | | | |
| *Financial Liabilities* | | | | |
| Shareholder loans | **121,432** | **121,432** | 87,958 | 87,958 |
| Derivative liability | **9,582** | **9,582** | 6,476 | 6,476 |
| Other financial liabilities | **4,253** | **4,253** | 11,722 | 11,722 |
| **Total** | **135,267** | **135,267** | **106,156** | **106,156** |

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

(i) Financial instruments Measured at Fair Value

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

(ii) Fair value hierarchy

The fair value hierarchy consists of the following levels

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

| | **Level 1 US$'000** | **Level 2 US$'000** | **Level 3 US$'000** | **Total US$'000** |
|---|---|---|---|---|
| **30 September 2024** | | | | |
| Derivative liability | **-** | **-** | **9,582** | **9,582** |
| | | | | |
| **31 March 2024** | | | | |
| Derivative liability | **-** | **-** | 6,476 | **6,476** |

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

(iii) Reconciliation: Level 3 fair value measurement

| | **Six months ended 30 September 2024 US$'000** | **Period ended 31 March 2024 US$'000** |
|---|---|---|
| *Derivative liability* | | |
| Opening balance | **(6,476)** | (23,037) |
| Fair value at initial recognition | **-** | (3,235) |
| Fair value gain/(loss) recognised in profit and loss | **(2,597)** | 20,601 |

| | | |
|---|---:|---:|
| Foreign exchange | **(509)** | (805) |
| **Closing balance** | **(9,582)** | **(6,476)** |

(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 9).

**Valuation results (as at 30 September 2024)**

| Facility | Total loan amount (ZAR) | Value per share (p) | Number of Shares | Total Value (GBP) |
|---|---:|---:|---:|---:|
| ZAR200m facility | 200,000,000 | 0.57 | 219,272,938 | 1,251,396 |
| ZAR177m facility | 177,000,000 | 0.43 | 96,378,566 | 413,644 |
| ZAR550m facility | 550,000,000 | 0.94 | 586,442,455 | 5,492,005 |
| **Total** | | | **902,093,959** | **7,157,045** |

**Sensitivity Valuation results (as at 30 September 2024) - Volatility**

| Facility | Base volatility assumption | Total Value (GBP) - 75% historical volatility (66%) |
|---|---:|---:|
| ZAR200m facility | 87.87% | 594,225 |
| ZAR177m facility | 87.87% | 143,773 |
| ZAR550m facility | 87.87% | 2,863,434 |
| **Total** | | **3,601,432** |

**Sensitivity Valuation results (as at 30 September 2024) - Risk Margin**

| Facility | Base risk margin assumption | Total Value (GBP) - 7% risk margin | Total Value (GBP) - 3% risk margin |
|---|---:|---:|---:|
| ZAR200m facility | 5% | 1,253,532 | 1,249,171 |
| ZAR177m facility | 5% | 414,597 | 412,640 |
| ZAR550m facility | 5% | 5,509,643 | 5,473,412 |
| **Total** | | **7,177,772** | **7,135,223** |

**Sensitivity Valuation results (as at 30 September 2024) - FX volatility**

| Facility | Base FX volatility | Total Value (GBP) - 20% FX volatility | Total Value (GBP) - 10% FX volatility |
|---|---:|---:|---:|
| ZAR200m facility | 13.49% | 1,254,799 | 1,252,089 |
| ZAR177m facility | 13.49% | 416,200 | 413,351 |
| ZAR550m facility | 13.49% | 5,500,030 | 5,494,207 |
| **Total** | | **7,171,029** | **7,159,647** |

**Sensitivity Valuation results (as at 30 September 2024) - UK risk-free rate**

| Facility | Base UK risk-free rate | Total Value (GBP) - UK rf + 2% | Total Value (GBP) - UK rf -2% |
|---|---:|---:|---:|
| ZAR200m facility | 3.51% | 1,290,782 | 1,212,559 |
| ZAR177m facility | 3.54% | 430,974 | 396,767 |
| zAR550m facility | 3.58% | 5,659,609 | 5,235,478 |
| **Total** | | **7,381,365** | **6,934,804** |

## 20. Events after the reporting period

Further shipments and sales of 34,405 tonnes of phosphate concentrate from Kropz Elandsfontein were recorded in October 2024 and 31,305 tonnes in November.

As announced on 11 July 2024, Kropz Elandsfontein and ARC Fund ("ARC") agreed to a ZAR 140 million (approximately US$ 8 million) bridge loan facility (the "Loan") to meet immediate cash requirements at Kropz Elandsfontein. The facility is fully drawn and settled at the date of this report.

The Group announced on 3 September 2024, a restructuring of its debt obligations ("Restructuring") and a fundraising that was conditional on shareholders' approval and approval by the South African Reserve Bank ("SARB"). As a result of the Restructuring, Kropz Elandsfontein (Pty Ltd and Elandsfontein Land Holdings (Pty) Ltd (the "Elandsfontein Subsidiaries") have extinguished their debt obligations to ARC. Kropz now has convertible debt of £88.9 million (including accumulated interest) outstanding with ARC, being the aggregate of a new Convertible Loan Note ("CLN") and existing equity facilities (the "Existing Equity Facilities"). Additionally, Kropz has completed a fundraising of £8.9 million from ARC and other shareholders before expenses through the issue of new Ordinary Shares an Issue Price of 1.387 pence per new Ordinary Share in the capital of the Company (the "Fundraising"). The Issue Price represents a discount of approximately 5 per cent. to the 30-day volume weighted average share price per existing Ordinary Share to 23 August 2024. In aggregate 643,873,018 new Ordinary Shares have be allotted and issued pursuant to the Fundraising. This was concluded after the reporting date.

## Company information

**Directors**
Lord Robin William Renwick of Clifton, Non-executive Chairman (passed away 4 November 2024)
Louis Ronald Loubser, Chief Executive Officer
Michael (Mike) John Nunn, Non-executive Director (stepped down 27 September 2024)
Gerrit Jacobus Duminy, Non-executive Director
Michael (Mike) Albert Daigle, Independent Non-executive Director
Linda Janice Beal, Independent Non-executive Director, Interim Non-Executive Chair from 6 November 2024.

**Company secretary**
Fusion Corporate Secretarial Service (Pty) Ltd

**Company number**
11143400

**Registered address**
35 Verulam Road
Hitchin
SG5 1QE

**Independent auditors**
PKF Littlejohn LLP
15 Westferry Circus
London E14 4HD

**Nominated adviser**
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

**Broker**
H&P Advisory Limited
2 Park Street
Mayfair
London W1K 2HX

**Legal advisers as to English Law**
Memery Crystal Limited
165 Fleet Street
London EC4A 2DY

**Legal advisers as to South African Law**
Werksmans Attorneys
The Central, 96 Rivonia Road
Sandton 2196
Johannesburg
South Africa

Bowmans
22 Bree Street
Cape Town 8000
South Africa

**Legal advisers as to the laws of Republic of Congo**
PricewaterhouseCoopers Tax & Legal
88 Avenue du General de Gaulle
B.P. 1306
Pointe-Noire
Congo

**Legal advisers as to the laws of the British Virgin Islands**
Harney Westwood & Riegels LP
Craigmuir Chambers
PO Box 71,
Road Town
Tortola VG1110
British Virgin Islands

**Registrars**
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

**Principal bankers**
Barclays
One Churchill Place
London E14 5HP

ABSA
7th Floor, Absa Towers West
15 Troye Street
Johannesburg
2001

**Financial PR**
Tavistock Communications Limited
1 Cornhill
London EC3V 3ND

**Market consultant**
CRU Consulting
Chancery House
53-64 Chancery Lane
London WC2A 1QS

**Company's website: www.kropz.com**