Company Registration No: 11143400

Kropz plc

Annual Report and Accounts for the period ended 31 December 2018

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Highlights

Key financial indicators

- Admission of Kropz plc shares to trading on AIM ("AIM Admission" or "Admission") raising total gross proceeds of USD 35 million, before expenses, successfully completed on 30 November 2018;
- Cash as at 31 December of USD 30 million (as at 31 May 2019 USD 18 million); and
- The Company is currently reviewing options to raise approximately USD 4 million to further advance its Hinda and Aflao projects; provide additional working capital; and continuing to investigate further funding to support the Company's additional cash requirements for Elandsfontein once the test work has been completed on this project.

Key operational developments during the financial year

- With the AIM Admission and initial acquisition of a 71.3 per cent. stake in Cominco Resources Limited ("Cominco") successfully completed on 30 November 2018, the focus during the remainder of the year under review was directed at consolidating the various assets held within Kropz plc and its subsidiaries (the "Group") and formulating an action plan for implementation in early 2019;
- Acquisition of a further 27.7 per cent. stake in Cominco (pursuant to further acceptances of the Cominco offer received after the AIM Admission) completed on 7 December 2018, taking the total ownership of Cominco to 98.97 per cent.;
- The primary focus at the Elandsfontein phosphate project ("Elandsfontein") for 2018 was to conduct test work to improve the definition of the modifications required for the processing facility. Work was concluded at the Tenova Laboratories in Israel and Mintek in South Africa;
- Scoping study level design was concluded based on the metallurgical results available, with the decision to maintain the reverse flotation circuit. The independent technical panel reviewed all metallurgical results and process design; and
- A prospecting licence was secured for further exploration at the Aflao phosphate project ("Aflao").

Key developments post financial year end

Elandsfontein

- Appointment of Jan Steenkamp, a well-known South African mining industry veteran, as Managing Director of Elandsfontein;
- Operational review resulting in improved confidence of the costs and schedule required to bring Elandsfontein into production;
- Mintek and Eriez (USA) mandated to undertake pilot plant and other processing test work ("Test Work") to confirm and optimise the remedial process flow sheet;
- The Test Work has confirmed that the modified Elandsfontein processing plant can produce a final concentrate to specification of 31%P_2O_5;
- Work done to advance the engineering design of the plant indicates that additional equipment will be required, including:
  - new stack sizer screens to optimise the milling circuit;
  - additional mechanical float cells to float the coarse size fraction of +212 micron; and
  - ancillary infrastructure and modifications of the original plant.
- Further time required for additional Test Work, long-lead capital items and associated works will impact on timing and capital cost to first production, with the target date for production at Elandsfontein moving to Q4 2020.

Highlights (continued)

Hinda

- DRA appointed to confirm the logistical viability of the existing road and port infrastructure to support a potential 1-1.5 million tonnes per annum (“Mtpa “) production target, and to determine whether to proceed with a reduced capital cost development plan focussing on the high grade weathered ore (“Starter Project”), or to prioritise construction of the main project which would exploit the full mining sequence (“Optimised Project”); and
- Compulsory redemption of remaining Cominco shares resulting in Kropz owning 100 per cent. of Cominco completed in February 2019.

Aflao

- Eight additional lines of Mobile Metal Ion (“MMI”) sampling carried out at Aflao, with 244 MMI samples sent to SGS Laboratory Services (Toronto) for testing and analysis, with total strike length covered by MMI test work extended to 6 km.

Chairman's Statement

Dear shareholder,

The admission to trading of Kropz plc ("Kropz" or the "Company") shares on the AIM market was accomplished in November 2018, raising USD 35 million, before expenses, primarily for the development of the Group's flagship Elandsfontein phosphate mine, located in the Western Cape, South Africa. The continuing population growth has created an imperative to increase fertiliser production in sub-Saharan Africa. The mine has access to appropriate infrastructure and is primed to play its part in ensuring food security. The funds were raised principally from the Company's largest shareholder, the ARC Fund ("ARC"), to whom the Board is extremely grateful for this display of commitment and support.

Elandsfontein's development is progressing under the capable leadership of Mr Jan Steenkamp, who has vast experience within the South African mining industry and was appointed Managing Director of Elandsfontein in February 2019.

Post the period end the Company announced an update on Elandsfontein, detailing that commissioning of the mine and the processing plant is now expected to take place during the fourth quarter of 2020. At the time of Kropz's AIM Admission, the level of engineering design for its recommissioning was at a scoping study level. Significant work has been performed to advance the engineering and design, however additional test work is still required and is now expected to continue into Q3 2019. The resultant delays to commissioning will lead to additional operating costs and debt repayments which, together with the potential additional capital expenditure, may add a further USD 20 million to the amount anticipated at the time of AIM Admission. The Company is working to refine these costs and will update the market in due course.

On 19 February 2019, Kropz was successfully able to implement a compulsory redemption of the remaining Cominco shareholders and now controls a 100 per cent. stake in Cominco. Cominco currently owns 100 per cent. of the Hinda project, located in the Republic of Congo ("RoC"). Hinda is believed to contain one of the world's largest undeveloped phosphate reserves. The Board is of the view that Hinda presents a very attractive medium-term opportunity. It has a well-defined JORC compliant resource and to date circa USD 40 million has been spent by Cominco on an extensive exploration and test work programme. Kropz is exploring the most appropriate strategy to fast-track this project and to maximise its value and will keep shareholders abreast of these developments.

The Company is currently considering a further fundraising through a placing to raise approximately USD 4 million to carry forward work on its two high grade development properties in the RoC and Ghana, and to provide additional working capital. The Company's two largest shareholders have expressed a commitment to support the Company in this fundraising.

The Board is grateful for the leadership provided by the executive team, led by Mr Ian Harebottle, and to all the Group's employees. Thanks to their dedication and hard work the Company has a first-class safety record at Elandsfontein. The mine site has been maintained in excellent condition throughout the period during which funding was being raised for its continued development.

Robin Renwick

Lord Robin William Renwick of Clifton
Non-Executive Chairman

Strategic Report for the period ended 31 December 2018

Market overview

Population growth and food security are key drivers of plant nutrient demand. According to the Food and Agricultural Organisation ("FAO"), almost one in nine people around the world are reported to be chronically hungry, lacking enough food to be healthy and lead active lives. The FAO projects that by 2050, population and economic growth will result in a doubling of food demand across the globe. As the world's population grows, urbanises and industrialises, farm land per capita has decreased. Consequently, more food production is required per unit area of arable farm land, which in turn equates to an increasing reliance on plant nutrients.

Phosphates are essential for all life on earth as phosphorus forms an essential component of most biochemical reactions in living organisms. Phosphorus is naturally occurring in various forms, but in order to sustain modern agricultural yields it needs to be added as a substitute in the form of phosphate fertilizer.

Phosphate rock is a phosphorus-bearing mineral that represents one of the three macro-nutrients required by plants. As such, the main driver of phosphate rock demand is the production of a range of phosphate and multi-nutrient fertilizers which are critical to boosting crop yields and sustaining global food supplies to feed an expanding world population. Phosphorus is also an important dietary supplement in animal feed, demand for which is determined by global meat production.

CRU Consulting ("CRU") forecasts that total global phosphate rock demand will increase to 230.2 million tonnes ("Mt") in 2022, representing a 1.6 per cent. compound annual growth rate ("CAGR") from 2017. CRU also forecasts global phosphate rock trade (i.e. representing rock production that is not directly linked to downstream phosphate fertilizer production) to increase by 3.2 Mt from 2017 to 2022, reaching 35.3 Mtpa. This represents a 1.9 per cent. CAGR and marks a significant acceleration in the phosphate rock import demand growth that has been observed since 2000.

The increased import demand growth has resulted in a predicted CAGR of phosphate rock price of 3.9 per cent.

It is also notable that the cadmium content of both the Elandsfontein and Hinda rock is low relative to other major sedimentary phosphate rock sources. In October 2017, the European Parliament voted for the recommendation for lower cadmium limits in fertilizers. CRU believes the comparatively low cadmium content of the Company's two key projects' rock could improve its marketability, particularly among producers of high-purity phosphate acid and in markets where the cadmium content of fertilizers is strictly regulated.

Significant changes in state of affairs

Acquisitions and AIM Admission

On 4 June 2018, Kropz plc acquired a 50 per cent. + 1 share interest in the share capital of First Gear Exploration Limited ("First Gear") from its 75 per cent. shareholder, Kropz International SARL ("Kropz International"). The remaining shareholdings in First Gear are held by Kropz International (25 per cent. – 1 share), Russell Brooks (15 per cent.) and Thomas Amoah (10 per cent.), a local partner in Ghana.

On 1 November 2018, the Company made an all share offer to acquire Cominco in an all share transaction valuing Cominco at USD 40 million ("the Offer"). Cominco, through its wholly owned subsidiary, Cominco S.A., currently owns 100 per cent. of the Hinda Phosphate Project ("Hinda") and which is expected to be diluted to 90 per cent. through the participation of the Government of the RoC. Hinda is believed to be one of the world's largest, undeveloped phosphate reserves. The Company received valid acceptances from 71.3 per cent. of the Cominco Shareholders and accordingly, on 30 November 2018, at AIM Admission, the Company acquired 71.3 per cent. of Cominco. The Offer remained open for acceptance until 1pm on 30 November 2018 and at closing of the Offer, valid acceptances of a further 27.7 per cent. were received. The acquisition of the further 27.7 per cent. of Cominco completed on 7 December 2018 taking the total ownership of Cominco to 98.97 per cent.

The Company subsequently applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco shares held by the remaining Cominco shareholders.

Strategic Report for the period ended 31 December 2018 (continued)

This process was completed on 19 February 2019 and as a result Kropz plc currently owns 100 per cent. of the issued share capital of Cominco.

On 27 November 2018, the Company acquired, from its then sole shareholder Kropz International, (i) the entire issued share capital of Kropz SA (Pty) Limited ("Kropz SA"); (ii) 32 per cent. of the issued share capital of Kropz Elandsfontein (Pty) Ltd ("Kropz Elandsfontein"); and (iii) 23 per cent. of the issued share capital of Elandsfontein Land Holdings (Pty) ("ELH") in exchange for shares in the Company. The remaining shareholdings in Kropz Elandsfontein are held by ARC (26 per cent.) and Kropz SA (38 per cent.), with the remaining shareholdings in ELH held by ARC (30 per cent.) and Kropz SA (47 per cent.).

On 27 November 2018, the Company acquired a further four per cent. of the issued share capital of Kropz Elandsfontein from ARC.

On 30 November 2018, Kropz plc completed its admission to trading on the AIM market of the London Stock Exchange ("LSE").

The placing conducted as part of the AIM Admission raised gross proceeds of USD 35 million for the purpose of enabling the Group to:

- Complete the additional test work and engineering design necessary to bring the Elandsfontein phosphate project into production;
- Reduce the level of creditors at Elandsfontein;
- Allow greater access to capital to fund future corporate activities, including acquisitions;
- Define the programme for the development of the Hinda project;
- Explore the Company's greenfield Ghanaian project; and
- Fund the Company's working capital requirements.

Following the AIM admission and the issue of shares for the Offer, the issued share capital of the Company at 31 December 2018 was 261,881,253 ordinary shares. After the squeeze out of the Cominco minorities and the issue of shares for fees as part of the AIM Admission, the current issued share capital is 264,041,648 ordinary shares.

Operations

Kropz Elandsfontein

Elandsfontein has the second largest phosphate deposit in South Africa, behind Foskor's operation in Phalaborwa. The sedimentary deposit is a free-digging operation and does not involve drilling or blasting activities. Elandsfontein has been developed with the capacity to produce circa 1 Mtpa of rock concentrate from a shallow mineral resource which is expected to be sold on both local and international markets.

In excess of USD 100 million had previously been spent at Elandsfontein on project capital expenditure to construct the processing plant and infrastructure, initial mining and capitalised working capital.

Elandsfontein's logistics are advantageous and allow for relatively easy access to both local and international markets. The Company owns 74 per cent. of the share capital of Elandsfontein.

Development of Elandsfontein has enabled Kropz to achieve strong, long-term partnerships, including a positive relationship with one of Kropz Elandsfontein's significant shareholders, ARC, a South African based broad based black economic empowerment partner and a leading investment company listed on the Johannesburg Stock Exchange with a total net asset value of ZAR 9.6 billion (approximately USD 688 million) as at 31 December 2018.

Strategic Report for the period ended 31 December 2018 (continued)

Activity in the one month period to 31 December 2018

With the AIM Admission successfully completed on 30 November 2018, the focus during the remainder of the year was directed at the formulating of an action plan for the implementation of a project wide operational review in early 2019.

The process of finalising many of the Kropz Elandsfontein creditor payments was also initiated, with most of these being settled early in 2019 and in line with the AIM admission funding targets.

Mining and geology

The Elandsfontein resource is defined below, on a total and net attributable basis:

Mineral Resource Statement, as declared by Snowden and SRK on 31 October 2018

Class	Quantity (Mt)	Grade (%P_2O_5)	Grade (%Al_2O_3)	Grade (%MgO)	Grade (%Fe_2O_3)	Grade (%CaO)	Grade (%SiO_2)	Contained P_2O_5 (Mt)
Gross								
Measured	47.5	10.3	1.2	0.2	1.0	14.9	69.8	4.9
Indicated	30.3	5.1	1.2	0.1	0.9	7.1	82.9	1.6
Inferred	23.3	5.5	1.2	0.1	1.0	7.5	82.5	1.3
Total	**101.1**	**7.7**	**1.2**	**0.2**	**0.9**	**10.9**	**75.9**	**7.7**
Net Attributable (74% attributable to the Company)								
Measured	35.2	10.3	1.2	0.2	1.0	14.9	69.8	3.6
Indicated	22.4	5.1	1.2	0.1	0.9	7.1	82.9	1.2
Inferred	17.2	5.5	1.2	0.1	1.0	7.5	82.5	0.9
Total	**74.8**	**7.7**	**1.2**	**0.2**	**0.9**	**10.9**	**75.9**	**5.7**

Plant and processing

The Company appointed DRA Mineral Projects ("DRA") to conduct the first phase of front-end engineering design, while test work was on-going.

The scope of test work at Mintek was accelerated as soon as funding had been secured. The focus of the test work was to increase the scale of the laboratory test work completed, to pilot scale test work on a bulk sample that was taken from the mineralised horizon that constitutes the greater portion of the ore body.

Safety, health and environment

As at 31 December 2018, the lost time injury frequency rate per 200,000 man hours, was 0.182. No environmental or safety incidents were reported during this period.

Post Reporting Period Events and CSR/Sustainability

A five year plan, aligned with the 2018 Mining Charter, was submitted to the South African Department of Mineral Resources ("DMR"). The plan includes progressive improvements to obtain compliance on the employment equity and procurement objectives of the mining charter scorecard.

Strategic Report for the period ended 31 December 2018 (continued)

The Kropz Elandsfontein board has approved expenditure to maintain contributions and initiatives towards community projects for 2019. The projects identified include:

- The completion of an upgrade project for the Hopefield Thusong Centre, a community centre used for educational and healthcare purposes;
- Accreditation of skills through a ‘recognition of prior learning’ process, whereby individuals with specific work experience can obtain necessary qualifications, thus improving their opportunities for future employment;
- Development, training and support of small, medium and micro-enterprises within the Hopefield community;
- Continued training and development of artisans through learnership programmes (in conjunction with one of Elandsfontein’s major contractors); and
- Bursaries for tertiary education for selected learners from within the Hopefield community.

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

Cominco SA - Hinda

The Hinda project, which is expected to be diluted to 90 per cent. through the participation of the RoC government, is believed to be one of the world’s largest undeveloped phosphate reserves. It consists of a sedimentary hosted phosphate deposit located approximately 40 km northwest of the city of Pointe-Noire in the RoC and includes the Hinda Exploitation Licence that covers 263.68 km^2 of the coastal basin. The Hinda project has a substantial JORC compliant Mineral Resource base totalling 675.8 Mt at a grade of 10.0 per cent. P_2O_5, with 86 per cent. included in the Measured and Indicated Mineral Resource categories.

As is the case with Elandsfontein, the sedimentary deposit is a free-digging operation and does not involve drilling and blasting activities. The 2015 definitive feasibility study (“DFS”) showed positive economic results for a 4.1 Mtpa project. However, it is the Company’s opinion that whilst the 2015 DFS reported a positive economic outcome, when taking into consideration the long-term supply/demand conditions of the phosphate rock market and the current economic market conditions, that an initially reduced capacity project targeting the production of approximately 1.5 Mtpa can be developed for a significantly lower level of upfront capital investment.

In support of the above strategy, Cominco SA has prepared a phased programme of work that will aim to review and verify the underlying design parameters, assess various optimisation opportunities and develop a proposed single solution to feasibility study level (“Option Study”) within 12 months.

To date, prior to acquisition by Kropz, more than USD 40 million has been spent on project development, including drilling, metallurgical test work and feasibility studies.

The integration of the Kropz and Cominco operating teams was seen as a key priority, with immediate steps taken to bring key persons in each of these teams together and to begin to build the outline action plan and budget until 2020. A Board meeting was held on 14 December 2018 to acknowledge the resignation of the previous director of Cominco SA and the nomination of a new Kropz representative director to the board of Cominco SA.

In-country, the focus was on progressing the port occupancy agreement and sustaining solid on-the-ground relations with the local communities. Kropz also took control of all of the Cominco SA assets, including its bank accounts, and initiated communications with a number of key stakeholders, including government, shareholders, service providers and other parties.

Strategic Report for the period ended 31 December 2018 (continued)

Mineral Resources

The Hinda resource is defined below, on a total and net attributable basis.

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

Class	Quantity (Mt)	Grade (%P_2O_5)	Grade (%Al_2O_3)	Grade (%MgO)	Grade (%Fe_2O_3)	Grade (%CaO)	Grade (%SiO_2)	Contained P_2O_5 (Mt)
Gross								
Measured	200.5	11.6	3.7	3.8	1.4	21.8	42.7	23.3
Indicated	380.9	9.8	5.0	3.3	1.8	17.6	48.5	37.3
Inferred	94.4	7.5	4.8	3.6	1.7	15.8	52.2	7.1
Total	**675.8**	**10.0**	**4.6**	**3.5**	**1.7**	**18.6**	**47.3**	**67.7**
Net Attributable (90% 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	**608.2**	**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 this period.

Sustainability

Cominco continued its interactions with the local communities associated with the Hinda project. The current community projects include:

- A curriculum vitae (“CV”) development project being carried out within the local communities. These CVs will be required by Hinda when recruiting community staff for future operations, but they have also proved beneficial in enabling the local workforce to find employment with other economic operators within the region. The Company has thus far assisted 344 people with their CV development; and
- The installation of an orchard with 110 fruit trees is targeted for Siala school (the largest village situated on the site access road). The produce from this orchard will be for community consumption, with the choice of trees having been made by the community itself. A nursery has been established, with 25 safou trees, 30 mango trees, 30 avocado trees and 25 palm-oil trees, all of which will be transferred to the orchard site in the second half of 2019.

Post reporting period events

On 19 February 2019, Kropz was successfully able to implement a compulsory redemption of the remaining Cominco shareholders and now controls a 100 per cent. stake in Cominco.

In March 2019, DRA was commissioned to undertake an Option Study, assessing a number of throughput options for the Hinda project development, based on mining both the higher grade BM ore (as per the Starter Project option) or the full ore sequence (as per the Optimised Project). The objectives of the Option Study include:

- Port capacity - assessment of available port storage options at the Pointe-Noire Port;
- Conceptual time and motion model - development of a dynamic model to consider different mine output rates (900,000 tonnes per annum (“tpa”) to 1,800,000 tpa) of phosphate concentrate, trucked from site to port;
- Dynamic techno-economic models - using historic study information to derive cost estimates (capital expenditure and operating costs) as a function of throughput (900,000 tpa to 1,800,000 tpa) and the development of a dynamic techno-economic model (for both the Starter and Optimised Projects at Hinda) to

Strategic Report for the period ended 31 December 2018 (continued)

investigate the economic impact of the range of mine output rates, and to conduct a 'like for like' trade-off between the two projects at various throughputs; and

- Developing preliminary mine schedules (pit optimisation) - using historic inputs (revised operating costs with historic recovery algorithms) and updated phosphate rock sales prices, derive updated mine schedules for select throughput scenarios.

At the end of 2018, Cominco received the supervisory authority to initiate the process of ratification of the Hinda exploitation convention (or Mining Investment Agreement), which sets out the legal and fiscal framework under which the Company will invest and operate within the RoC and was signed by all parties on 10 July 2018. This file has since been lodged with the Supreme Court, and that the process of ratification is currently in motion.

First Gear - Aflao

First Gear, a 50 per cent. + 1 share owned subsidiary of Kropz plc, is currently undertaking exploration work to confirm the Company's belief that the phosphate bearing horizons of the Hahotoe-Kpogame-Kpeme ("HKK") deposit in Togo extend into neighbouring Ghana.

The Aflao project area currently under review by First Gear is located in the Ketu South District, Volta Region, Ghana, referred to as the Keta Basin. Exploration undertaken in the 1960's by the Geological Survey of Ghana (''GSG'') indicated the presence of calcareous phosphate bearing horizons in the area.

Phosphates have been mined since 1961 in the Keta basin in the southern parts of Togo by the state-owned company Societe Nouvelle des Phosphates du Togo (''SNPT''), near the capital city, Lome. Following the commencement of mining, preliminary investigations undertaken by the GSG in the 1960's suggested that the mineralisation may extend westwards into Ghana. The GSG sampled phosphate bearing calcareous horizons intersected in a series of water wells drilled in the Keta Basin, near the town of Aflao, Ketu South District. The assay results obtained from the water drill holes were considered to be low at the time, with intersections ranging from 5 m to 11 m in thickness and with assays ranging from 14 per cent. to 22 per cent. P_2O_5.

First Gear completed an initial two lines of MMI soil sampling in the target area, covering approximately 2 km of strike length, and determined that phosphate and other indicator element anomalies are present. The anomalies detected were similar in nature to those observed in a trial run undertaken in Togo where units of the known HKK deposit occur.

The SNPT mine in Togo is the single major producer in the country. The deposit produces a phosphate beneficiated product grade of approximately 36 per cent. P_2O_5, placing it at the high end of the commonly traded phosphate rock scale.

First Gear intends to undertake a detailed exploration program with the intention of delineating a phosphate resource to support a beneficiation plant and associated infrastructure. The exploration program for the Aflao project will be completed using a phased approach. Phases 0 and 1 include registration, planning, MMI sampling, geophysical survey, drone survey and the planning of the drilling program. Phase 2, which will include drilling, will then be implemented based on the outcome and results of Phase 1.

The aim of the program would be to prove, and obtain a Competent Person sign-off, on a high grade (+20 per cent. P_2O_5) resource, including a pre-feasibility study for the Aflao Project.

Administration

After the prospecting licence was obtained on 12 October 2018, First Gear appointed Bentsi-Enchill Letsa and Ankomah Attorneys in Accra for the registration of the prospecting licence at the High Court, and registration in the Deeds office in the Volta Region. This work was completed in December 2018.

Strategic Report for the period ended 31 December 2018 (continued)

Historical geological information

Accessible historical geological information has been collated, including:

- Borehole logs of the HKK phosphate deposit, and using this information, a Micromine 3D geological model for the Togo deposit was created that will be used during the planning of the exploration program;
- Available historical reports on the area;
- Previous MMI sampling carried out in the area; and
- Satellite images of the area, including topographic information and infrastructure.

All the information has been gathered into a geological database.

Exploration planning

Detailed planning of Phase 1 of the exploration programme was completed during the period. The work includes obtaining quotations for all third-party related cost, sample analysis, drone survey and geophysical survey equipment.

Safety, health and environment

No environmental or safety incidents were reported during this period.

Post reporting period events

Phase 1 of the exploration programme plans to use various geological exploration methods to identify the mineralised zone to be targeted for future drilling, thereby allowing for the target area to be confirmed and narrowed down prior to initiation of the drilling campaign. The results generated during Phase 1 will also be used when developing the resource statement. A total of 244 additional MMI samples have been taken from an additional eight MMI lines, based on a 100 m by 500 m sampling grid, and have extended the total target strike length covered by MMI sampling to 6 km. All samples were sent to SGS (Tarkwa) for preparation and the resultant pulps have since been exported to SGS (Toronto) for analysis.

Strategy

The Group's long term strategy is to build a portfolio of high quality phosphate mines and to be a major player within in the sub-Saharan African plant nutrient sector. Its priority is to bring the Elandsfontein mine into production and then to develop Hinda so as to be primed to take advantage of a recovery in phosphate prices.

Business model

The Group's business model is to source high quality resources at any stage of the development cycle and to bring them into production to contribute to the Group's strategic competitiveness and profitability.

Once production has commenced at Elandsfontein and Hinda, the Group may consider acquiring additional assets and/or developing some added downstream beneficiation opportunities, where the Board believes these could increase shareholder value.

Strategic Report for the period ended 31 December 2018 (continued)

Outlook and objectives for the year ahead

Objectives

Kropz plc

Kropz's overriding objective is to deliver maximum shareholder and stakeholder returns over the long term.

Elandsfontein

The immediate focus at Elandsfontein is to complete the additional Test Work required and subsequently bring the mine into production by the end of 2020.

Hinda

On completion of the Option Study, Cominco SA will commence a feasibility study to define the economics of the proposed development option. It is also envisaged that the expropriation process will commence, and a relocation action plan will be initiated to secure the land prior to starting any construction work on site.

Cominco SA is hoping for completion of the ratification and formal implementation of the Hinda exploitation convention before the end of the year. It will also look to sign a formal port occupancy agreement so as to secure the space required for targeted future export operations out of Pointe-Noir.

Aflao

Detailed geological mapping of the project area is planned as part of the MMI programme to identify geological lithologies and outcrops that may be present.

A ground spectrometry survey will also be undertaken to identify anomalous areas. The multi-band gamma-ray survey will result in a detail domain map of various identified geological domains in the project area.

An elevation and ortho-photo survey of the area is also planned to provide First Gear with the following information:

- A high resolution georeferenced digital surface model of the project area;
- A high resolution georeferenced ortho-photo (aerial image) of the project area;
- A land-use classification map of the project area; and
- A geomorphological map of the project area.

This information is critical for the development of a base-map for the project, before any invasive exploration is initiated, especially with regards to land use, vegetation and housing.

Outlook

Kropz remains in a development phase, however the Company is confident in the inherent value contained within each of its core assets. Global phosphate rock demand and pricing continues to improve, and the work being carried out at its projects will provide Kropz with invaluable direction for the next phase of its development. The year ahead should provide the Group with a solid foundation for its future development.

Strategic Report for the period ended 31 December 2018 (continued)

Financial review for the period ended 31 December 2018

Summary financial highlights for the period:

- Total AIM Admission equity raise USD 35 million, before expenses;
- Accounts payable of USD 10 million, USD 8 million paid post year end;
- Cash at bank of USD 30 million; and
- Property, plant and equipment of USD 102 million.

Key performance indicators

The key performance indicators are fully aligned to the Group's strategic objectives and include an ongoing commitment to the highest standards of safety, health, environmental compliance and community engagement. Careful cash management and the delivery of sustainable long-term operations at each of our operating sites, are critical performance indicators.

Principal risks and uncertainties

The Company and 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 exhaustive, are particularly relevant to the Company and the Group's activities.

Development and operational risks

Elandsfontein and Hinda need to be developed through to commercial production. The operational targets will be subject to the completion of planned operational goals, on time and according to budget, and are dependent on the outcomes and effective support of personnel, systems. procedures and controls.

The successful commissioning and operation of the mines will depend on the maintenance of good relationships with and the solvency of its key contractors, and on access to appropriate infrastructure and the consistency of electricity and water supply. The Group may need to construct and support the construction of infrastructure and secure access to additional supplies of electricity and water.

Completion of commissioning of Elandsfontein

The Elandsfontein project requires a number of modifications to the processing facility and successful commissioning, in order to recommence operations in late 2020. Any delays or further issues in the receipt of final test work results, procurement or delivery of mechanical equipment items or, in the construction and commissioning periods, will have an adverse impact on the business and financial performance of the operation. There can be no guarantee that implementation of the modifications identified by Elandsfontein and its technical consultants will result in a successful commissioning of the mine.

The Group places significant importance on its relationship with contactors and other stakeholders and endeavours to use competent people with appropriate skills to manage such risks and where appropriate engages expert contractors.

Hinda exploitation convention

The Hinda exploitation convention provides a set of protection rights, including the RoC's guarantees in relation to the Hinda project's operations, and sets out the company's and its shareholder's commitments in terms of working programmes and corresponding financings.

Enforcing the Hinda exploitation convention against third parties remains subject to the approbation of the Convention by Parliament and the subsequent publication of the approbation law in the Official Gazette. The

Strategic Report for the period ended 31 December 2018 (continued)

RoC has committed, under the Hinda exploitation convention to provide its best efforts in view of the adoption, by Parliament, of the law of approbation of the convention by Parliament.

The adoption, by Parliament, of the law of approbation of the Hinda exploitation convention and the subsequent publication of the approbation law in the Official Gazette will protect the company against any third party claim aiming at challenging the benefit, by Cominco S.A., of the legal regimes and tax and customs incentives granted to it under the Hinda convention which go beyond the existing laws. This procedure elevates the Hinda Exploitation Convention to the rank of a special law and prevents any third party action aiming at challenging Cominco S.A.'s benefit of the conventional regime and incentives which go beyond the existing laws. In the absence of Parliamentary approval, the Hinda exploitation convention would remain binding on the RoC. However, the incentives and regimes granted by the Hinda exploitation convention that go beyond existing laws could be disputed in Court by the third parties. Any failure or delay of Parliament to approve the Hinda exploitation convention (and the subsequent publication of the approbation law in the Official Gazette), could have a detrimental effect on the business, operations and financial performance of the Group.

Commodity price risk

The demand for, and market price of, phosphate rock is dependent on supply and demand. Mineral prices fluctuate widely and in recent years global phosphate rock and fertiliser supply growth has out-paced demand leading to a decline in prices.

The Company monitors movements in expected supply, demand and prices and CRU forecasts an increase in phosphate rock demand and believes that the relatively low cadmium content of the Elandsfontein and Hinda rock could improve its marketability.

Political risk

As a consequence of activities in different parts of Africa, the Group may be subject to political, economic and other uncertainties including but not limited to sabotage, terrorism, war or unrest, changes in national laws and policies and exposure to different legal systems.

The Group seeks to establish good working relationships with the relevant national regulatory authorities and monitors changes through partners, news feeds and consultants.

Environmental risk

Existing and possible future environmental and safety legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted.

There is currently an internal administrative appeal against the water use licence ("WUL") which is pending before the Water Tribunal. The applicant and appellant are a small group of local residents that are opposed to the Elandsfontein phosphate project.

The administrative appeal currently pending before the Water Tribunal seeks the setting aside of the mine's WUL. Kropz Elandsfontein has submitted comprehensive responding submissions; however, the Water Tribunal has yet to set the appeal down for hearing. Pending the Water Tribunal's decision, there is no legal impediment to the continuation with the water use activities authorised in the WUL.

The Group employs staff experienced in the requirements of the relevant environmental authorities and seeks through their experience to mitigate the risk of non-compliance with accepted best practice.

Strategic Report for the period ended 31 December 2018 (continued)

Financial risk and commercial viability of future projects

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 on the successful outcome of the associated test work and design programmes and 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 enlarged 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 has a fully drawn down project financing facility with BNP Paribas for USD 30 million, the full details which are set out in note 15 of the Annual Financial Statements. The Group meets regularly with its bankers and two significant shareholders represented on the board regarding commitments and future projects.

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 27 to 39.

This Strategic Report was approved by the Board of Directors.

Ian Harebottle

Ian Timothy Harebottle
Chief Executive Officer
21 June 2019

Directors' Report for the period ended 31 December 2018

The Board of Directors ("Board") present their annual report for Kropz plc ("the Company") and the Kropz plc Group ("Group") for the period ended 31 December 2018.

Directors

The names of directors of the Group in office at any time during or since the end of the period are:

Lord Robin Renwick of Clifton	Non-executive Chairman (appointed 26 November 2018)
Ian Timothy Harebottle	Chief executive officer (appointed 28 March 2018)
Mark Robert Summers	Chief financial officer (appointed 10 January 2018)
Linda Janice Beal	Non-executive director (appointed 26 November 2018)
Michael Albert Daigle	Non-executive director (appointed 26 November 2018)
Michael John Nunn	Non-executive director (appointed 26 November 2018)
Machiel Johannes Reyneke	Non-executive director (appointed 26 November 2018)
Nicola Taylor	Director (appointed 10 January 2018 resigned 28 September 2018)

Company secretary

Mark Summers

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

Principal activities and significant changes in nature of activities

Kropz plc is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa, a large-scale phosphate project in the RoC and exploration assets in Ghana.

Business review and future developments

Details of the business activities and acquisitions made during the period can be found in the Strategic Report on pages 4 to 14 and in Note 3 to the Consolidated Financial Statements respectively.

Operating Results

The net loss after tax of the Group for the period ended 31 December 2018 amounted to USD 8 million.

Dividends paid or recommended

In respect of the period ended 31 December 2018 no dividends have been paid or declared and the directors do not recommend the payment of a dividend.

Capital structure

Details of the Company's share capital, together with details of the movements therein are set out in Note 12 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

Directors' Report for the period ended 31 December 2018 (continued)

Significant changes in state of affairs

Please refer to the Strategic Report.

Significant events subsequent to reporting date

Details of the Group's significant events subsequent to the reporting date are included in the Strategic Report.

Financial risks

The Group's operations expose it to different financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. Details of the principal financial risks are set out in note 29.

The Group has a fully drawn down project financing facility with BNP Paribas for USD 30 million, the full details which are set out in note 15 of the Annual Financial Statements.

The Group has a risk management programme in place which seeks to manage the impact of these risks on the performance of the Group and it is the Group's policy to manage these risks in a non-speculative manner.

Political contributions and charitable donations

During the period the Group did not make any political contributions or charitable donations.

Annual general meeting ("AGM")

Shareholders have an opportunity at the AGM to meet the Chairman and other directors, to receive an update on the development of the business and to ask questions of the Board. The Group proposes a separate resolution for each substantially different item of business, giving shareholders the opportunity to vote on each issue.

The AGM for the members of the Company will be held at the offices of Memery Crystal LLP, 165 Fleet Street, London EC4A 2DY on 28 June 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing eight ordinary resolutions and two special resolutions as set out in the Notice of AGM sent to all shareholders.

General meeting ("GM")

This annual report and financial statements will be presented to shareholders for their approval. The Notice of the GM will be distributed to shareholders together with the annual report.

External auditors

BDO LLP will be proposed for reappointment as auditors at the GM.

Employment policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of gender, age, marital status, creed, colour, race or ethnic origin.

Health and safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective, there is a Health, Safety and Environmental Committee in Kropz Elandsfontein to review the health

Directors' Report for the period ended 31 December 2018 (continued)

and safety policy and risks of Kropz Elandsfontein and make recommendations to the Kropz Elandsfontein board. The Group provides training and support to employees and sets demanding standards for workplace safety. The Group had no lost time or reportable incidents or injuries in 2018.

Payment to suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then sought to be made in accordance with the agreement provided the supplier has met the terms and conditions. Under normal operating conditions, suppliers are paid within 30 days of receipt of invoice.

Future developments

The Group will continue its mineral exploration activities with the objective of finding further mineralised resources, particularly phosphate on the Aflao deposits and the development of the Hinda project. The Group may also consider the acquisition of further prospective exploration interests.

Environmental issues

The Group operates within the resources sector and conducts business activities with respect for the environment while continuing to meet the expectations of government stakeholders, shareholders, employees and suppliers. In respect of the period under review, other than as set out in the Strategic Report, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the Group's operations. The Group holds mining licences in South Africa and the RoC and an exploration permit in Ghana. The Group's operations are subject to environmental legislation in this jurisdiction in relation to its exploration activities.

Information on directors

Lord Renwick of Clifton Non-executive Chairman (appointed 26 November 2018)	Lord Renwick of Clifton is a former diplomat and served as British Ambassador to South Africa and the United States. He served subsequently as Deputy Chairman of the merchant bank Robert Fleming, then for fifteen years as Vice Chairman of J.P. Morgan Europe. He has served on many boards including BHP Billiton, Fluor Corporation, SABMiller, British Airways and Harmony Gold. He is currently a director of Stonehage Fleming and Senior Adviser to Richemont.
Interest in Shares and Options	None
Ian Harebottle Chief executive officer (appointed 28 March 2018)	Ian Harebottle is responsible for leading the development and execution of the Company's long- term strategy with a view to creating shareholder value. He is also ultimately responsible for all day-to-day management decisions and for implementing the Company's long and short-term plans. Ian is the direct liaison between the Board and management of the Company and communicates on behalf of the Company to shareholders, employees, government authorities, other stakeholders and the public as a whole. Ian joined Kropz in 2018. Ian's skills lie in facilitating and participating in high-level operational initiatives, turnaround management and re-organisation. He has a strong transactional background in start-ups, mergers, acquisitions and stock exchange listings. For the past 16 years Ian has been actively involved in the mining sector, and his tenure as Chief Executive Officer of TanzaniteOne Ltd and more recently of AIM-quoted gemstone miner

Directors' Report for the period ended 31 December 2018 (continued)

	Gemfields plc, has delivered a consistent record of creating shareholder value via strong operational results in growth, revenue generation, operational performance and profitability.
Interest in Shares and Options	1 674 456 fully paid Ordinary Shares 3 362 609 Unlisted Options exercisable at 0.1 pence each expiring 28 November 2028.
Mark Summers Chief financial officer (appointed 10 January 2018)	Mark Summers is responsible for the finance function, administration, structuring of projects, accounting, taxation and corporate finance. Mark joined Kropz Elandsfontein in 2015. Mark has over 20 years of experience as a Chartered Accountant in the mining and resources industry, predominantly in Africa. His extensive experience as a senior mining executive spans various financial positions at a number of companies including Anglo American plc and HSBC plc. Most recently he held the position of Chief Financial Officer of Gemfields plc. Prior positions included Chief Financial Officer of Amari Resources Ltd, MDM Engineering Group Ltd and TanzaniteOne Ltd. Mark holds an Honours Degree in Accounting from the University of Johannesburg.
Interest in Shares and Options	334 889 fully paid Ordinary Shares 3 362 609 Unlisted Options exercisable at 0.1 pence each expiring 28 November 2028.
Linda Beal Non-executive director (appointed 26 November 2018)	Linda Beal is a Chartered Accountant and was a partner at PwC for over sixteen years. She provided tax advice to natural resources clients on many transactions including IPOs, mergers and group restructurings. She was partner at Grant Thornton for two years to June 2016 where she led the global energy and natural resources group. Linda is currently non-executive director at Aminex plc, Orca Exploration Group Inc and San Leon Energy plc. She is co-founder and director of a professional services business network and a business and tax advisor.
Interest in Shares and Options	None
Michael (Mike) Daigle Non-executive director (appointed 26 November 2018)	Mike Daigle is a chemical engineer by qualification and has 40 years of experience in the phosphate fertilizer industry. He worked at the Mosaic Company from 2004 until 2016 where he served as a senior director responsible for Research and Development, Production Planning and Business Development in the Phosphates Group, and was also in charge of Mosaic's Joint Venture in Saudi Arabia. Mike also served as VP Operations for IMC Phosphates, and worked for Cargill Fertilizer and Occidental Chemical. He is now a consultant to the Phosphate Industry, where he provides expertise in phosphate mining, fertilizer production, business development, as well as mergers and acquisitions.
Interest in Shares and Options	None

Directors' Report for the period ended 31 December 2018 (continued)

Machiel Reyneke Non-executive director (appointed 26 November 2018)	Machiel Reyneke has extensive experience in the insurance industry and financial services sector. In addition to being a director and Head of Mergers and Acquisitions of African Rainbow Capital (Pty) Ltd, the controlling company of the ARC, a substantial shareholder in the Company, since 2015, he also serves as a board member and member of various sub-committees of notable unlisted and listed companies. After completing his articles at PwC, Machiel joined the corporate finance division of Gencor. Three years later he joined Sappi Limited and subsequently he became the finance director of Sappi International. After a period at Gensec Bank as a General Manager looking after strategic projects, he joined Santam Limited in 2001 as finance director, a role which he filled for ten years. Machiel is a Chartered Accountant and holds a B.Com (Hons) from the University of Johannesburg.
Interest in Shares and Options	None
Michael (Mike) Nunn Non-executive director (appointed 26 November 2018)	Mike Nunn is a South African mining entrepreneur, investor and philanthropist. Michael has founded and developed various businesses and charitable initiatives, primarily in and related to the mining industry in Africa. Mike is widely recognised as being the pioneer of the global tanzanite industry and was the founder of TanzaniteOne and the Tanzanite Foundation. Subsequent to his involvement in tanzanite, Mike established Amari in 2005, where he developed multiple mining businesses in various sub-Saharan African countries. These businesses included diamonds, gold, nickel, platinum, coal, manganese and mining engineering services. Mike established Kropz Elandsfontein with the objective of developing a world class fertilizer business with a sub- Saharan African focus. Mike has more than 25 years of mining experience.
Interest in Shares and Options	51 587 817 fully paid Ordinary Shares

Directors' service contracts

The CEO has signed a formal contract of employment with the Company and his services may be terminated by either party giving three months' notice[1]. The CFO is employed on an ongoing basis, which may be terminated by either party giving six months' notice.

Each non-executive director has a letter of appointment for an initial term of one year. The appointment of each non-executive director may be terminated by the Company giving one-month notice, by the non-executive director by immediate notice and also in accordance with the Company's articles of association.

Indemnifying officers' and directors' and officers' liability insurance

The Group has agreed to indemnify the directors of the Company, against all liabilities to another person that may arise from their position as directors of the Company and the Group, except where the liability arises out of conduct involving a lack of good faith.

[1] The CEO's contract of employment was reviewed and updated in February 2019, with various amendments being made, including his notice period being changed from twelve to three months.

Directors' Report for the period ended 31 December 2018 (continued)

Appropriate insurance cover is maintained by the Company in respect of its directors and officers. During the financial period the Group agreed to pay an annual insurance premium of USD 70,980 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company.

The insurance premium relates to cover for:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome; and
- Liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

Share dealing code

The Company has adopted a share dealing code for directors and applicable employees (within the meaning given in the AIM Rules for Companies) in order to ensure compliance with Rule 21 of the AIM Rules for Companies and the provisions of the Market Abuse Regulations relating to dealings in the Company's securities. The Board considers that the share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

Remuneration report

This remuneration report sets out information about the remuneration of Kropz's key management personnel for the period ended 31 December 2018. The term 'key management personnel' ("KMP") refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel of the Company and Group;
- Remuneration policy;
- Key terms of employment contracts and remuneration of KMP;
- Non-executive director arrangements;
- KMP remuneration; and
- Share-based payments ("SBP") granted as compensation to KMPs.

The report of the Remuneration Committee is on page 42.

Key management personnel of the Company and the Group

This report details the nature and amount of remuneration for the key management personnel of the Group. The KMP during the period were:

Executive directors

Ian Harebottle	Chief executive officer (appointed 28 March 2018)
Mark Summers [(i)]	Chief financial officer and company secretary (appointed 10 January 2018)

Non-executive directors

Lord Robin Renwick of Clifton	Non-executive chairman (appointed 26 November 2018)
Linda Beal	Non-executive director (appointed 26 November 2018)
Mike Daigle	Non-executive director (appointed 26 November 2018)
Michael Nunn	Non-executive director (appointed 26 November 2018)
Machiel Reyneke	Non-executive director (appointed 26 November 2018)

Directors' Report for the period ended 31 December 2018 (continued)

Executives of Kropz Elandsfontein and the Company

Jan Steenkamp	Managing director – Kropz Elandsfontein (appointed 14 February 2019)
Michelle Lawrence	Chief operating officer – Kropz Elandsfontein (appointed 13 January 2014)
Nicola Taylor [(i)]	Director – Kropz plc (appointed 10 January 2018 and resigned 28 September 2018)

(i) Mark Summers and Nicola Taylor were appointed as the directors of Kropz plc on the date of incorporation of the Company on 10 January 2018. Nicola Taylor resigned from the Board on 28 September 2018 but remains an employee of Kropz plc.

Remuneration policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Remuneration Committee makes recommendations to the Board in relation to the composition of the Board, the appointment of the CEO and succession planning, and remuneration for directors and senior executives. The Board endeavours with its remuneration policy to attract and retain high calibre executives and directors to run and manage the Group within the constraints of the financial position of the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary and superannuation, where applicable. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain high calibre executives and reward them for performance that results in long-term growth in shareholder wealth. Executives may also be entitled to participate in the employee share and option arrangements.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. During the period, independent external advice was sought on appropriate remuneration of directors to better reflect market practice for comparable companies listed on AIM. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the AGM. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. The Board has adopted the Kropz executive long term incentive plan aiming to create a stronger link between employee performance and reward and increasing shareholder value by enabling the participants of the plan to have a greater involvement with, and share in the future growth and profitability of the Company.

Key terms of employment contracts and remuneration of KMP

Key terms of employment contracts for the financial period ending 31 December 2018

Name	Base Salary	Base Salary USD *	Term of Agreement	Notice Period
Ian Harebottle (CEO) [(i)]	GBP360,000 [(i)]	458,599	No fixed term	3 months
Mark Summers (CFO)	ZAR3,060,000 and GBP31,440	212,766 and 40,051	No fixed term	6 months
Michelle Lawrence (COO) [(ii)]	ZAR2,376,000	165,207	No fixed term	1 month
Nicola Taylor [(iii)]	GBP36,000	45,860	No fixed term	1 month

Directors' Report for the period ended 31 December 2018 (continued)

* Converted to USD at the 31 December 2018 GBP exchange rate of 0.785 and ZAR exchange rate of 14.382.

(i) Ian Harebottle's remuneration reduced to GBP 240,000 per annum from 1 March 2019.
(ii) Michelle Lawrence is the Chief Operating Officer for Kropz Elandsfontein.
(iii) Nicola Taylor resigned as a director of the Company on 28 September 2018 but remains an employee of the Company.

Non-executive director arrangements

Non-executive directors receive a Board fee and fees for chairing or participating on Board committees, see table below. They do not receive performance-based pay or retirement allowances but do receive additional fees for chairing Board committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base annual fees were set with effect from 26 November 2018.

	Base Fees per Annum GBP	Base Fees per Annum USD*
Chairman (i)	75,000	95,541
Non-executive director	30,000	38,217
Additional Fees:		
Audit and Sustainability Committee ("Audit Committee") – Chair (Linda Beal)	5,000	6,369
Audit Committee – member	-	-
Remuneration Committee – Chair (Lord Robin Renwick)	2,500	3,185
Remuneration Committee – member	-	-

* Converted to USD at the 31 December 2018 exchange rate of 0.785.

(i) Reduced subsequent to 31 December 2018 – see below.

All non-executive directors enter into a letter of appointment with the Company. The letter summarises the Board's policies and terms, including remuneration, relevant to the office of director. Directors with special responsibilities are disclosed within the various committee reports in the Corporate Governance Report on pages 27 to 39.

KMP remuneration

The remuneration for each director and KMP of the Group during the period from incorporation to 31 December 2018 was as follows:

	Short-Term Benefits			
	Base Salary USD	Bonus USD	Options (i) USD	Total USD
Executive directors				
Ian Harebottle	341,589	-	-	341,589
Mark Summers	39,035	10,430	-	49,465
	380,624	**10,430**	**-**	**391,054**
Non-executive directors				
Lord Robin Renwick (ii)	7,961	-	-	7,961
Linda Beal	3,185	-	-	3,185
Mike Daigle	3,185	-	-	3,185
Machiel Reyneke (iii)	-	-	-	-
Michael Nunn (iii)	-	-	-	-
	14,331	**-**		**14,331**
Total directors' remuneration	**394,955**	**10,430**	**-**	**405,385**

Directors' Report for the period ended 31 December 2018 (continued)

Executives				
Michelle Lawrence	22,273	10,430	-	32,703
Nicola Taylor (iv)	42,043	-	-	42,043
	64,316	**10,430**		**74,746**

* Converted to USD at the 31 December 2018 GBP exchange rate of 0.785 and ZAR exchange rate of ZAR 14.382.

(i) Options as share-based payment arrangements under the ESOP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.
(ii) At his request, Lord Robin Renwick's fees have been reduced to GBP 40,000 per annum from 1 January 2019, with him assuming responsibility for his travel and accommodation costs.
(iii) Machiel Reyneke and Mike Nunn receive no director fees.
(iv) Nicola Taylor resigned as a director of the Company on 28 September 2018 but remains an employee of the Company.

Share-based payments ("SBP") granted as compensation to KMP

Employee Share Option Plan and Long-Term Incentive Plan

Kropz plc 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 which will be used to grant awards on Admission of the Company to AIM and following Admission (the "ESOP") – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- An executive long-term incentive plan (the "LTIP") – 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").

The Incentive Plans will be used to recruit, retain and incentivise key executives and employees. Although the ESOP will be used primarily to grant awards on Admission, awards may be granted pursuant to the ESOP following Admission up to and including the second anniversary of Admission. The LTIP will be used to grant awards following Admission and will be the main Incentive Plan used to grant awards following Admission.

Each ESOP and LTIP option converts into one ordinary share of Kropz plc upon exercise. No amounts are paid or payable by the recipient on receipt of the option, aside from when the option is exercised. The options carry neither rights to dividends nor voting rights. Options may be exercised from time to time as stipulated in the award conditions prior to their expiry. Each employee performance right will be converted into one ordinary share of Kropz plc upon vesting conditions being met. No amounts are paid or payable by the recipient on receipt of the performance rights. The performance rights carry neither rights to dividends nor voting rights.

The options granted expire as determined by the Board based on a recommendation by the Remuneration Committee, or immediately following the resignation of the executive or senior employee, whichever is the earlier.

Directors' Report for the period ended 31 December 2018 (continued)

Summary information for Options as SBP arrangements in existence during 2018

During the financial period, the following ESOP options were issued as SBP and were outstanding at the period-end:

Name	Expiry Date	Exercise Price (pence)	Number of Options
Ian Harebottle	28 November 2028	0.1	3,362,609
Mark Summers	28 November 2028	0.1	3,362,609
Michelle Lawrence	28 November 2028	0.1	1,465,137
			8,190,355

The performance conditions attaching to the ESOP award are as follows:

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

Awards shall vest on a straight-line basis between each of the above targets. Participants of the ESOP and LTIP awards need to remain employed by Kropz in order to exercise options.

The Remuneration Committee will determine whether the performance condition has been met and to the extent performance conditions have not been achieved on or before the fifth anniversary of the date of grant.

There was no exercise of options during the period. Options were valued at the full exercise price of 40p per share and are to be expensed over the 60 month vesting period. The options had no value.

No LTIP awards were made during the period ended 31 December 2018.

Shares issued on exercise of options

No shares were issued from the exercise of options during the period ended 31 December 2018.

Shareholdings (ordinary shares)

The numbers of ordinary shares in the Company held during the period by KMP, including shares held by entities they control, are set out below.

	Balance – 1 January 2018	Received as remuneration	Options exercised	Other	Balance – 31 December 2018
Michael Nunn	-	-	-	51,587,817 (i)	51,587,817
Ian Harebottle	-	-	-	1,674,456 (ii)	1,674,456
Mark Summers	-	-	-	334,889 (ii)	334,889

(i) Michael Nunn's beneficial interest in Ordinary Shares is held through Kropz International. Kropz International's interest arose from the vend-in of the share interests of Kropz International in Kropz SA, Kropz Elandsfontein, ELH, First Gear Exploration and pre Admission funding from Kropz International in the form of a convertible loan note. Kropz International provided USD 2.5 million in funding pre the Admission of the Company onto the AIM market of the LSE which converted into Ordinary Shares on Admission.
(ii) Arising from pre-Admission funding provided by Ian Harebottle and Mark Summers in 2018.

Other than as indicated above, no other KMP held any ordinary shares in the Company during the period.

Directors' Report for the period ended 31 December 2018 (continued)

Holdings of equity warrants over equity instruments

The numbers of equity warrants over ordinary shares in the Company held during the period are set out below.

During the period, the following warrants were issued and were outstanding at the period-end:

Name	Expiry Date	Exercise Price (pence)	Number of warrants
H&P Advisory Limited	30 November 2020	40	558,272
Mirabaud Securities Limited	30 November 2020	40	558,272
			1,116,544

Other transactions with KMP during the period ended 31 December 2018

No KMP has entered into a material contract (apart from employment and noted below) with the Company and the Group. No amount of remuneration is outstanding at 31 December 2018.

On 27 November 2018, the Company executed a convertible loan note instrument pursuant to which the Company issued convertible notes to Kropz International at a rate of one month LIBOR plus 3 per cent. per annum and a final maturity date of 31 December 2019 as set out below. The principal amount of the convertible note (USD 2,500,000) and accrued interest (USD 26,708) automatically converted into 6,902,148 Ordinary Shares in the Company on AIM Admission at a 28.5 per cent. discount to the listing price of 40 pence per share.

There were no other transactions with key management personnel and related parties.

Statement of disclosure of information to auditors

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

During the period ended 31 December 2018, the Group incurred a loss of USD 8 million and experienced net cash outflows from operating activities of USD 4 million. Cash and cash equivalents totalled USD 30 million as at 31 December 2018. The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

The directors have prepared a cash flow forecast which indicates that the Group will not have sufficient liquidity to meet its forecast working capital requirements to the end of the going concern period, primarily being corporate costs, exploration expenditure, and costs related to the Aflao and Hinda projects with an additional USD 4 million required in order for the Group to meet its targeted objectives for these projects. Additional funding is also going to be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, with various options being considered by the Board on how and when best to source this additional funding.

Directors' Report for the period ended 31 December 2018 (continued)

Forecast costs in the next 12 months are in aggregate approximately USD 10 million. However, a significant portion of this cost base is not yet committed, pending completion of a potential fund raise, further steps can also be taken to reduce forecast overheads if required.

The directors have therefore considered mitigating actions, which include:

- Completion of a capital raising; and
- Managing and deferring costs where applicable to coincide with a capital raising activity to ensure that all obligations can be met.

The directors are planning to raise approximately USD 4 million additional capital in the short term to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that funding will be secured and therefore that the operational and financial plans in place are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due.

The ability of the Group to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to 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.

This Directors Report was approved by the Board of directors.

Ian Harebottle

Ian Timothy Harebottle
Chief Executive Officer
21 June 2019

Corporate Governance Report

The Company is registered in England and Wales and listed on the AIM market of the London Stock Exchange.

Introduction

The Board is committed to the principles of good corporate governance and to maintaining high standards and best practice of corporate governance. The directors support high standards of corporate governance and have developed corporate governance practices which are suitable for the size and nature of the company and have adopted the Quoted Companies Alliance Corporate Governance Code (2018 Edition) (the ''Code''). The directors also note that with effect from 28 September 2018, all AIM companies must provide details on their website and in their annual report of the recognised corporate governance code that the Company has decided to apply, how it complies with that Code and where it departs from this, an explanation of the reasons for doing so. To the extent that the Company departs from any of the provisions of the Code it will provide details on its website (www.kropz.com) as required.

The Chairman is responsible for leading the Board to ensure that Kropz has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group over the medium to long term. The Board is conscious that the corporate governance environment is constantly evolving and the charters and policies under which it operates its business are monitored and amended as required.

The Code sets out ten principles and we have outlined below the Group's application of the Code.

The Board considers that the Company has complied, from AIM Admission to 31 December 2018, with all the provisions of the Code except as follows:

- The Remuneration Committee comprises the Chairman as chair of the committee, two independent non-executive directors and two non-independent non-executive directors. The Chairman is considered suitable to fulfil this position considering the size of the Board and the Company and his prior experience;
- Machiel Reyneke, a non-independent non-executive director is on the Audit Committee in view of his financial experience and experience on other listed company Audit Committees; and
- No formal assessment of Board performance has been carried out as the Company's shares were only admitted to AIM in November 2018.

We explain below why we have departed from the guidelines in these areas.

1 Establish a strategy and business model to promote long-term value for shareholders

The Board has set out the vision for Kropz for the medium to long term. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Company holds Board meetings at least three times each financial year and at other times as and when required. Detailed disclosure on the Company's business model and strategy is disclosed in the Admission Document on the Company's website and in the Strategic Report on pages 4 to 14.

2 Seek to understand and meet shareholder needs and expectations

Kropz has a Board with experience in understanding the needs and expectations of its shareholder base. It supplements this with professional advisers including public relations company, nominated adviser and brokers who provide advice and recommendations in various areas of its communications with shareholders. Kropz engages with its shareholders through its website which has been designed as a hub to provide information to shareholders and provides regular updates to the market via the Regulatory News Service.

Corporate Governance Report (continued)

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

Key resources and relationships on which the business relies are its customers, workforce, suppliers, shareholders, local community and elements of the regulatory framework.

Employees are encouraged to raise any concerns they may have with relevant management. Grievance mechanisms are in place for employees.

Feedback from potential customers is at present informal. The Company will contact customers on an ad hoc basis once sales commence and provide verbal feedback where necessary to senior management.

Engagement with the local community is carried out at site, as monthly meetings with the established Community Forums. Grievance mechanisms are in place for the community, with Company contact details displayed at site access points.

Feedback from regulators is provided via the regular framework of reporting and inspections that are carried out.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

Kropz recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational or reputational impact. A summary of the key risks is set out in the Strategic Report on pages 4 to 14 and is provided in the AIM Admission Document. The Company's system of risk identification, supported by established governance controls, ensures it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all its stakeholders.

The Company's key internal controls procedures are:

- Prioritised risk register - risks are evaluated to establish root causes, financial and non-financial impacts and likelihood of occurrence. Consideration of risk impact and likelihood is taken into account to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these are identified and responsibilities assigned. The Company's management is responsible for monitoring the progress of actions to mitigate key risks. Key risks are reported to the Audit Committee and at least once a year to the full Board;
- Preparation of annual cash flow projections for approval by the Board and ongoing review of expenditure and cash flows;
- Establishment of appropriate cash flow management and treasury policies for the management of liquidity, currency and credit risk on financial assets and liabilities;
- Regular management meetings to review operating and financial activities; and
- Recruitment of appropriately qualified and experienced staff to key financial and mine management positions.

5 Maintain the Board as a well-functioning, balanced team led by the chair

The Board currently comprises two executive directors, Ian Harebottle and Mark Summers, and five non-executive directors, including the Chairman. The Chairman, Lord Robin Renwick of Clifton, and two of the non-executive directors, Linda Beal and Mike Daigle are considered to be independent. The remaining two non-executive directors, Michael Nunn and Machiel Reyneke, are not considered to be independent. Michael Nunn is a major shareholder of the Company, and Machiel Reyneke is the Board representative of Kropz Elandsfontein's BEE partner and the Company's largest shareholder, the ARC.

Corporate Governance Report (continued)

Since AIM Admission, the Company has the following appropriately constituted committees, each with formally delegated duties and responsibilities set out in respective written terms of reference:

- Audit Committee; and
- Remuneration Committee.

Lord Robin Renwick of Clifton, the Chairman, is also Chairman of the Remuneration Committee. Lord Renwick is independent in character, and suitable to fulfil this position considering the size of the Board and the Company and his prior experience. Lord Renwick is supported by the two other independent non-executive directors as well as Michael Nunn and Machiel Reyneke [i] who are not considered independent but are on the committee due to their previous experience and the fact that they are aligned with shareholders' interests by virtue of their representative holdings in the Company.

(i) Machiel Reyneke was included onto the Remuneration Committee as of February 2019.

Machiel Reyneke, a non-independent non-executive director, is on the Audit Committee. Machiel's financial experience and representation on a number of other listed company audit committees deem him suitably qualified to serve on the Committee.

The Board is responsible for the overall leadership and effective management of the Company, setting the Company's values and standards and ensuring maintenance of a sound system of internal control and risk management. The Board is also responsible for approving company policy and its strategic aims and objectives as well as approving the annual operating and capital expenditure budgets. The Board supports the concept of an effective Board leading and controlling the Company and believes the Company has a well-established culture of strong corporate governance and internal controls that are appropriate and proportional, reflecting the Company's culture, size, complexity and risk.

All directors bring a wide range of skills and international experience to the Board. The non-executive directors hold meetings without the executive directors present. The Chairman is primarily responsible for the working of the Board of the Company. The CEO is primarily responsible for the running of the business and implementation of the Board strategy and policy. The CEO is assisted in the managing of the business on a day-to-day basis by the CFO and other management.

The Board has a formal schedule of regular meetings where it approves major decisions and utilises its expertise to advise and influence the business. The Board will meet on other occasions as and when the business demands. During the financial period under review the Board met on nine occasions.

The Board is supplied with appropriate and timely information in order to discharge its duties. The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. All directors have access to the advice and services of the company secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Independent professional advice is also available to directors in appropriate circumstances.

A detailed agenda is established for each scheduled meeting and appropriate documentation is provided to directors in advance of the meeting. Regular Board meetings provide an agenda that will include reports from the CEO, reports on the performance of the business and current trading, and specific proposals where the approval of the Board is sought. Areas discussed include, amongst others, matters relating to the AIM admission, placing and funding, the South African Mining Charter and mining legislation, RoC Mining Convention and the strategic direction of the Company. Minutes of the meetings from Committees of the Board are circulated to all members of the Board, unless a conflict of interest arises, to enable all directors to have oversight of those matters delegated to Committees.

Corporate Governance Report (continued)

In accordance with the Company's Articles of Association, the longest serving director must retire at each AGM and each director must retire in any three-year period, so that over a three-year period all directors will have retired from the Board and been subject to shareholder re-election. All directors have access to the advice and services of the company secretary and other independent professional advisers as required. Non-executive directors have access to key members of staff and are entitled to attend management meetings in order to familiarise themselves with all aspects of the Company. It is the responsibility of the Chairman and the company secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Board and committee meetings attendance

No Audit Committee and Remuneration Committee meetings were held during the period as Lord Robin Renwick of Clifton, Linda Beal, Mike Daigle, Machiel Reyneke and Michael Nunn were only appointed on 26 November 2018. The only Board meeting these new Board members attended was the meeting on 26 November 2018, at which meeting they were appointed.

During the period they were invited to various Board meetings but in their capacities as proposed directors of the Company.

Attendance of directors and committee members at Board and committee meetings held during the period is set out in the table below.

	Board meetings	Audit committee meetings	Remuneration committee meetings
Lord Robin Renwick of Clifton	1/1	-	-
Ian Harebottle (i)	6/6	-	-
Mark Summers	9/9	-	-
Linda Beal	1/1	-	-
Mike Daigle	1/1	-	-
Michael Nunn	1/1	-	-
Machiel Reyneke	1/1	-	-
Nicola Taylor (ii)	5/5	-	-

(i) Ian Harebottle was appointed on 28 March 2018. Three Board meetings were held prior to him joining the Company

(ii) Nicola Taylor resigned as a director of the Company on 28 September 2018.

Division of responsibilities

The division of responsibilities between the non-executive Chairman and the CEO is clearly defined in writing. However, they work closely together to ensure effective decision making and the successful delivery of the Group's strategy.

The CEO

The CEO is responsible for the running of the Group's business for the delivery of the strategy for the Group, leading the management team and implementing specific decisions made by the Board to help meet shareholder expectations. He also takes the lead in strategic development, by formulating the vision and strategy for the Group.

Corporate Governance Report (continued)

The CEO reports to each Board meeting on all material matters affecting the Group's performance. Given the structure of the Board and the fact that the Chairman and CEO roles are fulfilled by two separate individuals, the Board believes that no individual or small group of individuals can disproportionately influence the Board's decision making.

The Chairman

The Chairman leads the Board, ensuring constructive communications between Board members and that all directors are able to play a full part in the activities of the Company. He is responsible for setting Board agendas and ensuring that Board meetings are effective and that all directors receive accurate, timely and clear information.

The Chairman officiates effective communication with shareholders and ensures that the Board understands the views of major investors and is available to provide advice and support to members of the executive team.

Non-executive directors

There are currently five non-executive directors (including the Chairman), of which three are independent non-executive directors. The role of the non-executive directors is to understand the Group in its entirety and constructively challenge strategy and management performance, set executive remuneration levels and ensure an appropriate succession planning strategy is in place. They must also ensure they are satisfied with the accuracy of financial information and that thorough risk management processes are in place. The non-executive directors also assist the Board with issues such as governance, internal control, remuneration and risk management. No non-executive directors are participants in any share option plans of the Company.

Effectiveness

Composition of the Board

The Board consists of the Non-Executive Chairman, the CEO, CFO, two non-executive directors and two further independent non-executive directors. The names, skills and short profiles of each member of the Board, are set out on pages 17 to 19. Each year the Board considers the independence of each non-executive director in accordance with the Code.

The Board considers Lord Robin Renwick of Clifton, Linda Beal and Mike Daigle to be independent as they are not involved in any executive capacity, have no other or material business relationships with the Company, have no material investment in the Company nor are associated with any such investor and have no close family or other business relationships with the Company or any of its directors or senior executives.

Non-executive directors are appointed for an initial term of one year.

To ensure that they clearly understand the requirements of their role the Company has a letter of appointment in place with each non-executive director. Employment contracts are entered into with executive directors and senior executives so that they can clearly understand the requirements of the role and what is expected of them.

Commitment

Each director commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend Board meetings and join ad hoc Board calls and offer availability for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However all Board members appreciate the need to commit additional time in exceptional circumstances.

Corporate Governance Report (continued)

Non-executive directors are required to disclose prior appointments and other significant commitments to the Board and are required to inform the Board of any changes to their additional commitments. Details of the non-executive directors' external appointments can be found on pages 17 to 19.

Before accepting new appointments, non-executive directors are required to obtain approval from the Chairman and the Chairman requires the approval of the whole Board. It is essential that no appointment causes a conflict of interest or impacts on the non-executive director's commitment and time spent with the Group in their existing appointment.

Details of executive directors' service contracts and of the Chairman's and the non-executive directors' appointment letters are given on page 22. Copies of service contracts and appointment letters are available for inspection at the Company's registered office during normal business hours and at the AGM.

Development

All newly appointed directors are provided with an induction programme which is tailored to their existing skills and experience, legal update on directors' duties and one on ones with members of the senior management team. The Board is informed of any material changes to governance, laws and regulations affecting the Group's business.

Information and support

All directors have access to the advice and services of the company secretary and each director and each Board committee member may take independent professional advice at the Company's expense, subject to prior notification to the other non-executive directors and the company secretary.

The appointment and removal of the company secretary is a matter for the Board as a whole. The company secretary is accountable directly to the Board through the Chairman.

6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board has been assembled to allow each director to contribute the necessary mix of experience, skills and personal qualities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. Full details of the Board members and their experience and skills are set out on pages 17 to 19.

Together the Board provide relevant mining and fertilizer sector skills, the skills associated with running large public companies, African experience and technical and financial qualifications to assist the Company in achieving its stated aims. The Board comprises UK, US and African directors and has one female director.

The directors keep their skillsets up to date as required through the range of roles they perform with other companies and consideration of technical and industry updates by external advisers. The directors receive regular briefing papers on the operational and financial performance of the Company from the executives and senior management.

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Appointments to the Board

The Company has a Remuneration Committee, the composition of which is set out on page 29.

Corporate Governance Report (continued)

The Committee is responsible for maintaining a board of directors that has an appropriate mix of skills, experience and knowledge to be an effective decision-making body, ensuring that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance, considering and recommending Board candidates for election or re-election and reviewing succession planning.

The Remuneration Committee undertakes a detailed selection process as per the recruitment and diversity policy to appoint or re-appoint a director to the Board. Included in this process are appropriate reference checks which include but not limited to character reference and bankruptcy to ensure that the Board remains appropriate for that of an AIM quoted company.

Evaluation of senior executives

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- A review by the Board of the Group's financial performance;
- Annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- An analysis of the Group's prospects and projects; and
- A review of feedback obtained from third parties, including advisors (where applicable).

Informal evaluations of the CEO and other senior executives' individual performance and overall business measures are undertaken progressively and periodically throughout the financial period.

Whilst the Board is aware that the Code recommends that the Board and its committees are evaluated on a yearly basis this has not been undertaken during 2018 as the Board was constituted late in 2018. However, an evaluation will be undertaken in 2019.

8 Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours, something we see as being a cornerstone to a strong risk management programme.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all directors and employees of the Group.

The Board has approved a code of conduct for directors, officers, employees and contractors, which describes the standards of ethical behaviour that are required to be maintained. The code of conduct was approved prior to the Company's listing on the AIM market. The Group promotes the open communication of unethical behaviour within the organisation.

Compliance with the code of conduct assists the Company in effectively managing its operating risks and meeting its legal and compliance obligations as well as enhancing the Group's corporate reputation.

The code of conduct describes the Group's requirements on matters such as confidentiality, conflicts of interest, use of Group information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of the Group's assets.

Corporate Governance Report (continued)

An employee who breaches the code of conduct may face disciplinary action. If an employee suspects that a breach of the code of conduct has occurred or will occur, he or she must report that breach to the CEO or CFO, via the Company's confidential "Whistle Blowing" process. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be investigated, acted upon and kept confidential.

Anti-bribery and anti-corruption

The Company has adopted an anti-corruption and bribery policy which applies to the Board and employees of the Company and the Group. It generally sets out their responsibilities in observing and upholding a zero-tolerance position on bribery and corruption in all the jurisdictions in which the Group operates. It also provides guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences of failing to adhere to this guidance. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, be aware of and refer to this policy in all of their business activities worldwide and to conduct business on the Company's behalf in compliance with it. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

The Group's anti-bribery and anti-corruption policy is set out in the code of conduct and has been aligned to meet UK and South African laws governing anti-bribery and anti-corruption. The Group takes a zero tolerance approach to acts of bribery and corruption by any directors, officers, employees and contractors.The Group will not offer, give or receive bribes, or accept improper payments to obtain new business, retain existing business or secure any advantage and will not permit others to do so on its behalf.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The roles of the Board are as follows:

- To provide direction and entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be appropriately assessed and managed;
- To set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance;
- To demonstrate ethical leadership, setting the Company's value and standards and ensuring that its obligations to its shareholders and others are well understood;
- To create a performance culture that drives value creation without exposing the Company to excessive risk or value destruction;
- To be accountable, and make well-informed and high quality decisions based on a clear understanding of the Company's broader goals and specific objectives;
- To create the right framework for helping directors meet their statutory duties under the Companies Act 2006, and/or any other relevant statutory and regulatory regimes; and
- To promote its governance arrangements and embrace the evaluation of their effectiveness.

Internal controls

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the directors recognise that they have overall responsibility for ensuring that Kropz maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of that system. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material mis-statement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

Corporate Governance Report (continued)

The key features of the internal control system are described below:

Control environment

The Company is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk management and internal control

The Board has carried out a robust assessment of the principal risks facing the Group. Details of these risks are set out on pages 12 to 14. The Board has reviewed the Company's risk management and internal control systems during the period and consider them to be effective. Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of intellectual property, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Group businesses will participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures

The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Board considers the internal control system to be adequate for the Group.

Financial and business reporting

It is the responsibility of the directors to ensure that the accounts are prepared and submitted. Having assessed the current annual report, along with the accounts, the directors confirm that, taken as a whole, they are fair, balanced and understandable. The directors also confirm that these documents provide the necessary information in order for shareholders to assess the Group's performance, business model and strategy.

The going concern statement provided by the directors is on page 25 of the Directors Report. The independent auditor's report is set out on pages 44 to 48.

The CEO and CFO provide, at the end of each six monthly period, a formal statement to the Board confirming that the Group's financial reports present a true and fair view, in all material respects, and that the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Group's financial statements and that it is founded on a sound system of risk management and internal compliance and controls which implements the policies approved by the Board, and that the Group's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

Corporate Governance Report (continued)

Board committees

The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The minutes of all sub-committees are circulated for review and consideration by all relevant directors, supplemented by oral reports from the respective committee chairs at Board meetings.

Audit Committee

The Company has an Audit Committee comprised of Linda Beal, as the Chairman of the Committee, together with Lord Robin Renwick of Clifton and Machiel Reyneke. The Audit Committee report is set out on pages 40 to 41.

Remuneration Committee

The Company has a Remuneration Committee comprised of Lord Robin Renwick of Clifton, as the Chairman of the Remuneration Committee, together with Machiel Reyneke, Michael Nunn, Linda Beal and Mike Daigle.

The Remuneration Committee Report is set out on page 42.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders

Dialogue with shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders.

The Group also posts all reports, stock exchange announcements and media releases and copies of significant business presentations on the Company's website.

The Company's two largest shareholders, ARC and Kropz International, are represented on the Board. In addition, the Chairman and CEO have frequent direct face-to-face meetings throughout the period with some of the other major shareholders as well as with analysts and brokers.

Constructive use of the AGM

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company provides information in the notice of meeting that is presented in a clear, concise and effective manner. Shareholders are provided with the opportunity at general meetings to ask questions in relation to each resolution before they are put to the vote and discussion is encouraged by the Board.

Directors are usually available at and following general meetings when shareholders have the opportunity to ask questions on the business of the meeting. Specifically, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee are available in person or by conference call at the AGM to answer questions from shareholders.

The company secretary, the Company's auditors and the Registrars are also in attendance at general meetings to assist with any queries shareholders may have.

Corporate Governance Report (continued)

Other governance matters

Diversity policy

The Group is committed to an inclusive workplace that embraces and promotes diversity, while respecting International, Sovereign, UK, South African, RoC and Ghanaian laws.

It is the responsibility of all directors, officers, employees and contractors to comply with the Group's diversity policy and report violations or suspected violations in accordance with this diversity policy.

The Group recognises the value of a diverse work force and believes that diversity supports all employees reaching their full potential, improves business decisions, business results, increases stakeholder satisfaction and promotes realisation of the Group's vision.

Diversity may result from a range of factors including but not limited to gender, age, ethnicity and cultural backgrounds. The Company believes these differences between people add to the collective skills and experience of the Group and ensure it benefits by selecting from all available talent.

Group and individual expectations

The Group recognises Group and individual expectations, to:

- Ensure diversity is incorporated into the behaviours and practices of the Group;
- Facilitate equal employment opportunities based on job requirements only using recruitment and selection processes which ensures we select from a diverse pool;
- Engage professional search and recruitment firms when needed to enhance our selection pool;
- Help to build a safe work environment by acting with care and respect at all times, ensuring there is no discrimination, harassment, bullying, victimisation, vilification or exploitation of individuals or groups;
- Develop flexible work practices to meet the differing needs of our employees and potential employees;
- Attract and retain a skilled and diverse workforce as an employer of choice;
- Enhance customer service and market reputation through a workforce that respects and reflects the diversity of our stakeholders and communities that we operate in;
- Make a contribution to the economic, social and educational well - being of all of the communities it serves;
- Meet the relevant requirements of domestic and international legislation appropriate to the Group's operations;
- Create an inclusive workplace culture; and
- Establish measurable diversity objectives and monitor and report on the achievement of those objectives annually.

Dealings with company securities

The Group's Securities Dealing Policy is binding on all directors, officers and employees who are in possession of "inside information". All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading is permissible provided the relevant individual has received the appropriate prescribed clearance. The Board considers that the share dealing code is in compliance with the Market Abuse Regulations ("MAR") and AIM requirements, and continues to meet the requirements of the Board.

Interests of other stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

Corporate Governance Report (continued)

Market disclosure

The Company is subject to parallel obligations under the AIM Rules and the MAR, in relation to the disclosure and control of price sensitive information. The Company has obligations under corporate and securities laws and stock exchange rules to keep the market fully informed of information which may have a material effect on the price or value of Group's securities and to correct any material misrepresentation, mistake or misinformation in the market.

The Group takes continuous disclosure seriously and requires that all of its directors, officers, employees and contractors observe and adhere to the Group's procedures and policies governing compliance with all laws pertaining to continuous disclosure, tipping and insider trading.

The Company has a formal Disclosure Policy (the "Disclosure Policy") addressing its continuous disclosure obligations and arrangements. The objectives of the Disclosure Policy are to ensure that:

- The communications of the Group with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;
- Non-publicly disclosed information remains confidential; and
- Trading of the Group's securities by directors, officers and employees of the Company and its subsidiaries remains in compliance with applicable securities laws.

The Disclosure Policy also provides advice to all directors, officers, employees and contractors of the Group of their responsibilities regarding their obligation to preserve the confidentiality of undisclosed material information while ensuring compliance with laws respecting timely, factual, complete and accurate continuous disclosure, price sensitive or material information, tipping and insider trading.

The Disclosure Policy further covers disclosures in documents filed with the securities regulators and stock exchanges and written statements made in the Group's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on Kropz's website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

If there is misuse of price sensitive or material information not yet disclosed to the market by trading or breach in confidentiality, extremely serious penalties may apply to the individual or individuals involved.

Shareholder information

The Company's website contains a separate section titled "Investors" which contains key documents for its investors. The website also provides:

- Information about the Company;
- An overview of the Group's current projects;
- Copies of its annual reports;
- Investors' presentations; and
- Copies of its announcements to the LSE.

Corporate Governance Report (continued)

The Company's share registry is maintained electronically by Link Asset Services. Their contact details are disclosed in the corporate directory of the annual report on pages 104 to 106. The market price of the AIM traded shares at 31 December 2018 was 43.75 pence. The highest and lowest price during the period from AIM Admission on 30 November 2018 was 40 pence and 44.5 pence respectively.

Robin Renwick

Lord Robin William Renwick of Clifton
Non-Executive Chairman
21 June 2019

Report of the Audit Committee

The Audit Committee comprises three members, two of whom are independent non-executive directors including the chair, Linda Beal, who is considered by the Board to have recent and relevant financial experience. Machiel Reyneke is not considered independent. The Audit Committee meets formally at least twice a year and otherwise as required and meets with the Company's external auditors at least twice a year.

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, including reviewing the Group's annual and half year financial statements, accounting policies, key judgements and estimates taken, internal and external audit and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors.

In addition, the Audit Committee is responsible for ensuring the integrity of the financial information reported to shareholders and internal control systems and ensuring effective risk management and financial control frameworks have been implemented. The Audit Committee also ensures that appropriate procedures, resources and controls are in place to comply with the AIM Rules for Companies and the MAR, monitors compliance thereof and seeks to ensure that the Company and its nominated adviser are in contact on a regular basis.

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the financial statements of Kropz and any formal announcements relating to Kropz's financial performance and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A recommendation regarding the auditors is put to shareholders for their approval in general meetings.

Kropz has established procedures for the running of the Audit Committee. This includes overview of the identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its executives and senior managers. The Audit Committee is committed to maintain a risk management framework that seeks to:

- Avoid the likelihood of unacceptable outcomes and costly surprises;
- Provide greater openness and transparency in decision making and ongoing management processes;
- Provide for a better understanding of issues associated with the Group's activities;
- Comprise an effective reporting framework for meeting corporate governance requirements; and
- Allow an appropriate assessment of innovative processes to identify risks before they occur and allow informed judgement.

The Audit Committee is also responsible for approving, reviewing and monitoring the Company's risk management policy. The objectives of this risk management policy are to:

- Provide a structured risk management framework that will provide Senior Management and the Board with comfort that the risks confronting the organisation are identified and managed effectively;
- Create an integrated risk management process owned and managed by the Group's personnel that is both continuous and effective;
- Ensure that the management of risk is integrated into the development of strategic and business plans, and the achievement of the Group's vision and values; and
- Ensure that the Board is regularly updated with reports by the committee.

Management is responsible for efficient and effective risk management across the activities of the Group. This includes ensuring the implementation of policies and procedures that address risk identification and control, training and reporting. The CEO is responsible for ensuring the process for managing risks is integrated within business planning and management activities.

Report of the Audit Committee (continued)

The Board reviews the effectiveness of the implementation of the risk management system and internal control system annually. When reviewing risk management policies and the internal control system the Board takes into account the Company's legal obligations and also considers the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community. The principal areas of risk for the Company are detailed on pages 12 to 14.

The Audit Committee reviewed the planning of the 2018 annual report including consideration of the financial statements and going concern (including material uncertainty), impairment assessment of the exploration and evaluation assets, property, plant, equipment and mine development costs, other key judgements and estimates, value proposition and business model. The Audit Committee received and considered memoranda from management regarding these matters, and also took into account the views of the external auditor. The Audit Committee concluded that no impairment charge was necessary for the exploration and evaluation assets, and that the going concern basis is the appropriate basis for preparation of the annual report.

In order to ensure the independence and objectivity of the external auditor (BDO and its associated companies), the Audit Committee has a policy, in place since AIM admission, regarding the provision of non-audit services by its external auditor to ensure that such services do not impair the independence or objectivity of the external auditor. Any non-audit services provided must be pre-approved by the Chair of the Audit Committee.

The Audit Committee assesses the quality of the external audit annually and considers the performance of the auditor and its associates taking into account the Committee's own assessment, feedback from senior finance personnel and views from the auditor and its associates on their performance as detailed in a report of their audit findings at the year end, which they took the Committee through at the meeting in June 2019. Based on this review, the Audit Committee was satisfied with the effectiveness of the audit for the period ended 31 December 2018.

The Audit Committee did not formally meet during 2018 but met on 3 June 2019 to review the appropriateness of the Group's key accounting policies and judgements, to review the auditor's report to the Audit Committee and to review the annual financial statements prior to Board approval.

Linda Beal
Audit Committee Chair
21 June 2019

Report of the Remuneration Committee

The Remuneration Committee has five members, three of whom are independent non-executive directors including the chair, Lord Robin Renwick of Clifton. The Remuneration Committee also comprises Mike Daigle, Linda Beal, Machiel Reyneke and Michael Nunn. Michael Nunn and Machiel Reyneke are not considered to be independent.

The Remuneration Committee is required to meet annually and at such other times as required. Its objectives are to:

- Maintain a board of directors that has an appropriate mix of skills, experience and knowledge to be an effective decision making body;
- Ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;
- Align the interests of executives and senior management with those of shareholders through the use of performance-related rewards and share options in Company;
- Reward executives and senior managers according to both individual and Group performance;
- Establish an appropriate balance between fixed and variable elements of total remuneration, with the performance-related element forming a potentially significant proportion of the total remuneration package;
- Review and recommend an appropriate remuneration policy, the objective of which shall be to attract, retain and motivate executive directors of the quality required to successfully run the Company, without paying more than is necessary having regard to market comparables; and
- Adhere to the principle that no director or senior executive shall be involved in any decisions as to their own remuneration.

In addition, the Remuneration Committee is responsible for considering and recommending Board candidates for election or re-election, reviewing succession planning, determining the terms of employment and total remuneration of the executive directors and Chairman and considering the Group's incentive schemes.

The remuneration package comprises the following elements:

- Basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies;
- Annual performance-related bonus – executives, managers and employees receive annual bonuses related to specific KPIs or overall Group performance. The non-executive directors do not participate in the performance-related bonus scheme;
- Benefits – benefits include life assurance and private medical contributions. The non-executive directors do not receive these benefits; and
- Share options – share option grants are reviewed regularly. The non-executive directors do not receive these benefits.

Full details of each director's remuneration package and their interests in shares and share options can be found in the Directors' Report. There are no elements of remuneration, other than basic earnings, which are treated as being pensionable. The Remuneration Committee did not meet during 2018.

Robin Renwick

Lord Robin William Renwick of Clifton
Remuneration Committee Chairman
21 June 2019

Statement of Directors' Responsibilities in Respect of The Annual Report and Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report, Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102. The directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement and the Directors' Report was approved by the Board of directors on 21 June 2019 and is signed on its behalf by:

Robin Renwick

Non-Executive Chairman
Lord Robin William Renwick of Clifton
21 June 2019

Chief Financial Officer
Mark Summers
21 June 2019

Independent Auditor’s Report to the Members of Kropz plc

Opinion

We have audited the financial statements of Kropz plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the disclosures made in note 2a to the Company and Group's financial statements, which explains that the Company and Group will require further funding to be able to meet its forecast working capital requirements to the end of the going concern review period. These conditions together with the other matters explained in note 2a indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter.

Our audit procedures in response to this key audit matter included:

- Critically assessing management's financial forecasts over the period of going concern assessment. This included consideration of the reasonableness of key underlying assumptions by reference to current expenditure and commitments.
- Understanding management's plans for the future fundraising required to meet the Group's working capital requirements and reviewing the documentation relating to ongoing activities in respect of fundraising.
- Evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

Independent Auditor's Report to the Members of Kropz plc (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter	How we addressed the key audit matter in the audit
Carrying value of mining asset The Group's total development and production assets at 31 December 2018 were $101.5m in respect of the Elandsfontein mine in South Africa. This class of asset is the most significant to the statement of financial position. Management is required to assess at the end of each reporting period whether there are any indicators that an asset may be impaired. If any such indicators are identified the entity is required to estimate the recoverable amount of the asset. The mine has been on care and maintenance and further investment and modification is required before commercial production can resume. In these circumstances an impairment review is required. The recoverable amount of these assets is determined by considering a life of mine discounted cash flow model for the Elandsfontein mine. Significant estimates and judgements are required in determining model inputs, including phosphate prices, ore reserves, production forecasts and discount rates. The subjectivity of the judgements and estimates and the significant carrying value of these assets make this a key area of focus for the financial statements and the audit.	**Our audit work included:** Visiting the mine to understand the proposed developments and assess whether the proposed additions and modifications to the mine plant could give rise to asset impairments. Reviewing the documentation relating to the Elandsfontein mining licence to confirm that the Group holds a valid licence and gaining an understanding of the licence conditions. Assessing management's impairment review of the Group's mining assets under IAS 36 and critically challenging the significant estimates and judgements made by management in determining the key assumptions. In performing this review we also verified these assumptions to supporting documentation and market data. We also reviewed the competent person's report which was prepared by management's expert for the purposes of the AIM flotation in November 2018 and obtained explanations for significant differences from the impairment review performed by management in relation to capital costs and production profile. In addition, we assessed the independence and competence of the third party expert. We reviewed the adequacy of the financial statement disclosures regarding the impairment review.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider total assets to be the most significant determinant of the Group's financial performance as the Group is engaged in the development of mining projects and the principal focus of the users is likely to be the

Independent Auditor's Report to the Members of Kropz plc (continued)

gross assets of the Group. The materiality for the Group financial statements as a whole was set at US$2,650,000. This was based on 1.5% of total assets, which we consider to be an appropriate benchmark. Whilst materiality for the financial statements as a whole was set as above, the significant components of the group were audited to a lower materiality ranging from US$600,000 to US$2,000,000. The Parent Company's materiality was set at US$1,500,000. .These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality was set at 65% of the above materiality levels. In setting the level of performance materiality we considered a number of factors including the recognition that this is the first year the financial statements have been audited and our assessment of the risk of aggregation of errors.
We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$54,000, which was set at approximately 2% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.
In approaching the audit, we considered how the group is organised and managed.

We assessed there to be three significant components being the Parent Company, Kropz Elandsfontein (Pty) Ltd, which is commissioning the Elandsfontein phosphate mine in South Africa and Cominco Resources Limited, which holds the Hinda pre-development phosphate project in Republic of Congo.

The Parent Company and Cominco Resources Limited were subject to a full scope audit by the group auditor. A full scope audit for group reporting purposes was performed by a non-BDO network firm in South Africa on Kropz Elandsfontein (Pty) Ltd. Detailed group reporting instructions for the testing of the significant areas were sent to the component auditor. We also reviewed the audit files and discussed the findings with the component audit partner and component management. The component auditor also carried out full scope audits and reported to us on the other South African subsidiaries. The remaining non-significant components were subject to analytical review procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Kropz plc (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Kropz plc (continued)

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
21 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Financial Position

As at 31 December 2018	Notes	31 December 2018 US$'000
Non-current assets		
Property, plant, equipment and mine development	5	101,826
Exploration assets	6	40,772
Other financial assets	8	1,623
		144,221
Current assets		
Inventories	9	861
Amounts due from a director	7	33
Trade and other receivables	10	331
Cash and cash equivalents	11	30,457
		31,682
TOTAL ASSETS		**175,903**
Current liabilities		
Trade and other payables	17	11,956
Other financial liabilities	15	518
		12,474
Non-current liabilities		
Shareholder loans	14	14,386
Other financial liabilities	15	29,551
Tax payable		66
Provisions	16	3,931
		47,934
TOTAL LIABILITIES		**60,408**
NET ASSETS		**115,495**
Shareholders' equity		
Share capital	12	335
Share premium	12	142,026
Merger reserve	13	(20,523)
Accumulated losses		(6,255)
Foreign exchange translation reserve	13	(1,226)
Total equity attributable to the owners of the Company		114,357
Non-controlling interests	31	1,138
		115,495

The Notes on pages 53 to 96 form an integral part of these Consolidated Financial Statements. The Financial Statements on pages 44 to 96 were approved and authorised for issue by the Board of Directors on 21 June 2019 and signed on its behalf by:

Mark Summers, Chief Financial Officer

Consolidated Statement of Comprehensive Income
Period ended 31 December 2018

	Notes	Period ended 31 December 2018 US$'000
Revenue		-
Other income		2
Operating expenses		(5,674)
Operating loss	21	(5,672)
Finance income	20	382
Finance expense	23	(2,321)
Loss before taxation		**(7,611)**
Taxation	24	(66)
Loss after taxation		**(7,677)**
Loss attributable to:		
Owners of the Company		(6,255)
Non-controlling interests		(1,422)
		(7,677)
Loss for the period		(7,677)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
- Exchange differences on translation of parent company financial statements from functional to presentation currency		(956)
- Exchange differences on translating foreign operations		(270)
Total comprehensive loss		**(8,903)**
Attributable to:		
Owners of the Company		(7,481)
Non-controlling interests		(1,422)
		(8,903)
Earnings per share attributable to owners of the Company:		
Basic and diluted (US$)	25	(0.25)

Consolidated Statement of Changes in Equity
Period ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 10 January 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the period	-	-	-	(1,226)	(6,255)	(7,481)	(1,422)	(8,903)
Issue of shares	335	143,297	14,878	-	-	158,510	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	(35,401)	-	-	(35,401)	2,560	(32,841)
Transactions with owners	**335**	**142,026**	**(20,523)**	**-**	**-**	**121,838**	**2,560**	**124,398**
Balance at 31 December 2018	**335**	**142,026**	**(20,523)**	**(1,226)**	**(6,255)**	**114,357**	**1,138**	**115,495**

Consolidated Statement of Cash Flows

	Note	Period ended 31 December 2018 US$'000
Cash flows from operating activities		
Loss before taxation		(7,611)
Adjustments for:		
Depreciation of property, plant and equipment		457
Finance income		(55)
Finance costs		771
Fair value gains on game animals		32
Operating cash flows before working capital changes		(6,406)
Increase in trade and other receivables		(240)
Increase in payables		1,989
Decrease in amounts due to related parties		(47)
Increase in provisions		534
Foreign currency exchange differences		(2,611)
Net cash flows used in operating activities		**(6,781)**
Cash flows used in investing activities		
Purchase of property, plant and equipment		(505)
Decrease in loans receivable		293
Acquisition of subsidiaries, net of cash acquired		303
Finance income received		54
Net cash flows from investing activities		**145**
Cash flows from financing activities		
Finance costs paid		(771)
Shareholder loan received		696
Other financial liabilities		867
Issue of ordinary share capital net of share issue costs		36,364
Net cash flows from financing activities		**37,156**
Net increase in cash and cash equivalents		**30,520**
Cash and cash equivalents at beginning of the period		-
Foreign currency exchange losses on cash		(63)
Cash and cash equivalents at end of the period	11	**30,457**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

(1) General information

Kropz plc (“the Company’’) and its subsidiaries (together, “the Group’’) is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa, a large-scale phosphate project in the Republic of Congo (’’RoC’’) and exploration assets in Ghana. 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 Suite 4F Easistore Building, Longfield Road, North Farm Estate, Tunbridge Wells TN2 3EY. The registered number of the Company is 11143400.

The Company entered into a number of agreements during 2018, as more fully described in Note 12, to acquire phosphate assets and in turn become the holding company of the Group with interests in three projects - in Ghana, South Africa and the RoC.

(2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs as adopted by the EU’’), issued by the International Accounting Standards Board (“IASB’’), including interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC’’), and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The Consolidated Financial Statements are presented in United States Dollars, the presentation currency of the Company and figures have been rounded to the nearest thousand.

Going concern

During the period ended 31 December 2018, the Group incurred a loss of USD 8 million and experienced net cash outflows from operating activities of USD 6.8 million. Cash and cash equivalents totalled USD 30 million as at 31 December 2018. The Group has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

The directors have prepared a cash flow forecast which indicates that the Group will not have sufficient liquidity to meet its forecast working capital requirements to the end of the going concern period, primarily being corporate costs, exploration expenditure, and costs related to the Aflao and Hinda projects with an additional USD 4 million required in order for the Group to meet its targeted objectives for these projects. Additional funding is also going to be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, with various options being considered by the Board on how and when best to source this additional funding.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Forecast costs in the next 12 months are in aggregate approximately USD 10 million. However, a significant portion of this cost base is not yet committed, pending completion of a potential fund raise, further steps can also be taken to reduce forecast overheads if required.

The directors have therefore considered mitigating actions, which include:

- Completion of a capital raising; and
- Managing and deferring costs where applicable to coincide with a capital raising activity to ensure that all obligations can be met.

The directors are planning to raise approximately USD 4 million additional capital in the short term to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that funding will be secured and therefore that the operational and financial plans in place are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due.

The ability of the Group to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to 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.

On the basis of the forecasts, the Directors have concluded that it is appropriate to prepare the Group’s Consolidated Financial Statements on a going concern basis.

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 United States 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 and presentation currency of First Gear is US Dollars.

The functional currencies of Cominco 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.

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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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.

Adoption of new and revised International Financial Reporting Standards

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which came into effect from 1 January 2018. IFRS 15 does not have material impact as the Group is not currently generating any income.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of the standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial information.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 from incorporation on 10 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments:

Recognition and Measurement

The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognized through profit and loss as they arise ("FVTPL"), unless restrictive criteria are met for classifying and measuring the asset at either Amortized Cost or Fair Value Through Other Comprehensive Income ("FVOCI").

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

IFRS 9 makes other changes to the IAS 39 requirements for classifying and measuring financial assets and liabilities. These include:

- Allowing trade receivables that don't have a significant financing component to be measured at undiscounted invoice price rather than fair value;
- Restricting optional FVPL and FVOCI designations;
- Permitting OCI treatment of changes in the fair value attributable to the issuer's credit risk for liabilities designated as FVPL; and
- Setting new criteria for reclassifying of financial assets and liabilities.

Measurement at initial recognition

IFRS 9 carries forward with one exception the IAS 39 requirement to measure all financial assets and liabilities at fair value at initial recognition (adjusted in some cases for transaction costs). The exception is for trade receivables that do not contain a significant financing component, as defined by IFRS 15, Revenue from Contracts with Customers. As the Group's trade receivables do not contain a financing element with terms of less than one year, these are measured at the transaction price (e.g., invoice amount excluding costs collected on behalf of third parties, such as sales taxes).

Classification and subsequent measurement

Financial assets:

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's principal financial assets are cash and cash equivalents and receivables.

The Group has assessed the impact of IFRS 9 on the impairment of its financial assets, including the trade and other receivables balance. The Group has applied its impairment methodology to the simplified approach of the expected credit loss model and grouped the receivables based on shared characteristics, including line of business, and days past due. The simplified approach is only applicable for trade receivables. After identifying the impairment loss under this method, management has concluded that the impairment is immaterial.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be amortised and the lease liabilities will be measured at amortised cost.

IFRS 16 removes the distinction between finance and operating leases. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

IFRS 16 is mandatory from 1 January 2019, with earlier application permitted.

On initial adoption of IFRS 16 the Group will be required to capitalise its rented properties at the lease commencement date in the statement of financial position by recognising them as right-of-use assets and their corresponding lease liabilities. The right-of use assets will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 and will include required additional disclosures in its financial statements for that financial year.

The right-of use asset will be amortised over the term of each lease and a finance charge will be made by reference to the lease liability and discount rate. The liability is initially to be measured at the present value of future minimum lease payments. The discount rate is the rate implicit in the lease, if readily determinable.

As at 31 December 2018, the Group had not entered into any property leases which had commenced prior to the year-end. One lease was signed in January 2019.

Annual Improvements to IFRSs 2014–2016

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of this financial information which have not been adopted early:

Standard	Description	Effective date
IFRS 16	Lease	1 January 2019
IFRS 17	Insurance Contracts	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate	Unknown
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 January 2019

The directors do not expect that the adoption of new standards will have a material impact on the financial statements of the Company in future periods.

(b) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the subsidiaries listed in Note 4.

Details regarding the strategic decisions to acquire Kropz SA, First Gear and Cominco can be found in the Chairman's statement and Strategic report on pages 3, 4 and 5 respectively.

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. 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

Corporate reorganisation

Kropz SA and First Gear became subsidiaries of the Company following the completion of Share Purchase Agreements on 27 November 2018 and 4 June 2018 respectively. The Company is now the parent holding company of these subsidiaries. Prior to the group restructuring the subsidiaries were controlled by Kropz International, a company incorporated in Luxembourg.

The share for share acquisitions of Kropz SA and First Gear and its subsidiary companies by Kropz plc were that of a re-organisation of entities which were under common control. Both entities had the same management as well as majority shareholders.

The acquisitions are considered a combination of entities under common control and, under IFRS 3:2(c), are excluded from the scope of that Standard.

In the absence of specific IFRS literature on the topic, the Group has applied the requirements of IAS 8:10 to 12 in its consolidated financial statements and has chosen to account for both of the transactions at the subsidiaries' carrying amounts at the date of the transactions (i.e. as a predecessor value method of accounting).

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

The Directors have therefore decided that it is appropriate to reflect these combinations using the predecessor value method of accounting in order to give a true and fair view. No fair value adjustments were made as a result of the combinations.

Under these accounting principles, the assets and liabilities of both entities to a transaction are recorded at book value, not fair value. Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance with applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the income statement.

Under the predecessor value method of accounting, the following principles have been applied:

- Assets and liabilities of the combining entities have been combined at their respective book values;
- No goodwill nor negative goodwill has been recognised;
- The difference between the Group's cost of investment and the acquiree's equity is presented as a separate merger reserve within equity on consolidation;
- The results of the acquiree have been consolidated only from the date of the combination and pre-combination reserves eliminated on combination.; and
- Adjustment is made to reflect the profit attributable to the non-controlling interest in the acquiree prior to the combination.

Accounting for asset acquisition within a corporate structure
Acquisitions of mineral assets through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration.

Non-controlling interests
The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Merger relief
The issue of shares by the Company is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, the Company has secured at least a 90 per cent. equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve. In the case of the Company's acquisition of Cominco, 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.

(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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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
- 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.

Capitalised borrrowing costs comprise interest paid on shareholder loans incurred pre-production in Kropz Elandsfontein.

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
Substation	Straight-line	15 years
Machinery, plant and equipment		
Fixed plant and equipment	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

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Mineral exploration site preparation	Units of production	Life of mine*
Stripping activity	Units of production	Life of identified ore*

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

Useful lives and residual values

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

Stripping activity asset

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

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

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

(d) Mineral exploration and evaluation costs

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

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

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

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

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

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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

(e) 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 Pty Ltd and held within the approximately 5,000 hectares of farmland owned by the company. 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.

(f) Financial instruments

Classification and measurement

The Group classifies its financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost; and
- Financial liabilities measured at amortised cost.

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.

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

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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.

(g) 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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.

(h) Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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.

(j) 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 the statement of profit or loss and other comprehensive income.

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.

Ongoing rehabilitation expenditure

Ongoing rehabilitation expenditure incurred is offset against the recognised provision in the statement of other comprehensive income.

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 estimated amount of cash flows, 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(k) Share capital and equity

Ordinary shares are classified as equity and are recorded at the proceeds received net of issue costs.

(l) 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.

(m) 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.

(n) Intangible assets

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

(o) Finance income

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

(p) 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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 Note12 to the Consolidated Financial Statements.

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) Corporate reorganisation

The share for share acquisitions of First Gear and Kropz SA (and its subsidiary companies) by Kropz plc have been accounted for as acquisition of entities under common control.

Both Kropz SA and First Gear were under common control of the same ultimate beneficial owners and effectively operated as a group under common management throughout the period covered by the Financial Statements for the period ended 31 December 2018

As more fully described in Note 2 (b) the Company has applied the predecessor value method of accounting in respect of the share for share acquisitions of Kropz SA and First Gear. It has chosen to account for both of the transactions at the subsidiaries' carrying amounts at the date of the transactions with no fair value adjustments made as a result of the combinations with no goodwill recognised on acquisition. The Company is not obliged to restate the comparative periods in its consolidated financial statements as if it had acquired the subsidiaries at the beginning of the earliest period presented and accordingly no comparative date has been presented in respect of these acquisitions.

In particular, management has considered the usefulness of presenting comparative information in developing its accounting policy and, concluded that not restating comparative information would not be detrimental to the users of the financial statements.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(ii) Control over the activities of First Gear

The acquisition of First Gear by the Company has been accounted for on the basis of the Company having control with effect from acquisition and holding 50 per cent. plus one share. Management considers that it controls First Gear as this holding gives the Company control over its strategic, operational and financing decisions.

(iii) Exploration and evaluation assets

The application of the Group’s accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off in the net profit or loss in the period when the new information becomes available. In situations where indicators of impairment are present for the Group’s exploration and evaluation, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell.

(iv) 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 29 for sensitivity analysis of foreign exchange risk.

(v) Decommissioning and rehabilitation provisions

Quantifying the future costs of these obligations is complex and requires various estimates and judgements to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the Department of Mineral Resources, have been used to estimate future rehabilitation costs.

(vi) Other financial assets

The Group has given guarantees to a number of third parties as described in Note 8 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(vii) Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Management's judgement is that due to the mine remaining in care and maintenance it is premature to recognise a deferred tax asset for the accumulated tax losses.

Key sources of estimation uncertainty

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices of phosphate rock and mine production levels.

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;

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing, reclamation and logistics costs, discount rates and foreign exchange rates

Any change in management's estimate of the useful lives and residual values of assets would impact the depreciation charge. Any change in management's estimate of the total expected future life of each of the mines would impact the depreciation charge as well as the estimated rehabilitation and decommissioning provisions.

Life of mine

Life of mine is defined as the remaining years of production, based on proposed production rates and ore reserves and will be assessed as soon as additional exploration drilling has been performed and further reserves proven based on additional test results.

(3) Group reorganisation

(a) Acquisition of First Gear

On 4 June 2018, the Company acquired a 50 per cent. + 1 share interest in the share capital of First Gear from its largest shareholder, Kropz International, who owned 75 per cent. of First Gear. The shareholders of First Gear entered into a shareholders' agreement pursuant to which the parties agreed the basis on which First Gear would finance its activities.

On 21 August 2018, the Company issued 163,221 ordinary shares to Kropz International at 56 pence per ordinary share pursuant to a share for share agreement exchange whereby Kropz International received 163,221 ordinary shares in consideration for the transfer of:

(i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and
(ii) the novation rights and obligations under the First Gear loan agreements with Kropz International and of Michael Nunn to the Company.

First Gear was under common control of the same ultimate beneficial owners and effectively operated as a group under common management throughout the period covered by the Financial Statements for the period ended 31 December 2018. The consideration is summarised as follows:

		US$'000
Consideration		**122**
Allocated as to:		
(i)	1,125,001 shares in First Gear	5
(ii)	the Novation of:	
	- Sellers loan (Kropz International)	70
	- Michael Nunn loan	47
		122

The following table summarises the consideration paid for First Gear and the carrying value of net liabilities assumed at the acquisition date:

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

	Fair value
Consideration	**US$'000**
Total consideration for shares as above	**5**

Total identifiable net liabilities assumed:	
Cash	3
Trade and other receivables	2
Trade and other payables	(120)
Total identifiable net assets acquired	(115)
Amount transferred to exploration and evaluation assets	62
Non-controlling interests	58
Total	**5**

First Gear contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 24,000 loss before tax.

If the acquisition of First Gear had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been USD 28,000 higher.

Acquisitions of South African assets

Under a series of share purchase agreements, a re-organisation of the Kropz Group's South African assets was effected, including:

- A share-for-share exchange whereby Kropz International sold 100 per cent. of its equity and loan interests in Kropz SA to Kropz plc on 27 November 2018;
- The acquisition by ARC of Tiestabyte (Pty) Ltd's 5 per cent. equity and loan interests in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 32 per cent. interest in Kropz Elandsfontein on 27 November 2018;
- The acquisition by Kropz plc of Kropz International's 23 per cent. interest in ELH on 27 November 2018; and
- The sale by ARC of a further 4 per cent. interest in Kropz Elandsfontein to Kropz plc in exchange for the issue of Kropz plc shares on 27 November 2018.

<u>Steps in re-organisation</u>

1. On 26 November 2018, immediately prior to the re-organisation on 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 ordinary shares of 0.1 pence only and 663,221 deferred shares of £0.099 each in the capital of the Company;

2. On 27 November 2018, the Company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company (the ''Buy-back Share'') to Kropz International in cash for 1 pence;

3. On 27 November 2018, the Company issued 93,260,034 ordinary shares (the ''Reorganisation Shares'') to Kropz International at 61.3 pence per ordinary share pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company and Kropz International whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of USD 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of USD 30,743,792; and (vi) the benefit of the outstanding ELH loan account of USD 1,692,072;

4. On 27 November 2018, the Company bought back the deferred shares for an aggregate sum of 1 pence and these were then cancelled; and

5. On 27 November 2018, the Company issued 5,499,124 ordinary shares to the ARC (the ''ARC Consideration Shares'') at 40 pence per ordinary share pursuant to a share purchase agreement whereby ARC received the ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein.

The principal agreements governing the acquisitions were:

(i) Reorganisation, asset and share purchase agreement

An asset and share purchase agreement dated 27 November 2018 between the Company and Kropz International pursuant to which the Company was inserted as the new holding company of the Kropz Group.

Pursuant to the agreement the Company purchased from Kropz International:

i. the entire issued share capital of Kropz SA;

ii. 32 per cent. of the issued share capital of Kropz Elandsfontein (the remaining shareholding in Kropz Elandsfontein is held by Kropz SA (38 per cent.) and the ARC (30 per cent);

iii. 23 per cent. of the issued share capital of ELH (the remaining shareholding in ELH is held by Kropz SA (47 per cent.) and the ARC (30 per cent.);

iv. the benefit of the outstanding Kropz SA loan account of US D1,494,066;

v. the benefit of the outstanding Kropz Elandsfontein loan account of USD 32,162,463; and

vi. the benefit of the outstanding ELH loan account of USD 1,728,233,

for a total consideration of USD 78,230,310.

The consideration was satisfied by the issue and allotment of 93,260,034 ordinary shares (''Reorganisation Shares'') to Kropz International at 61.3 pence per ordinary share.

The transfer of shares, the acquisition of the loan accounts and the issue and allotment of the Reorganisation Shares under the share purchase agreement occurred on 27 November 2018. Under the share purchase agreement Kropz International provided customary title and capacity warranties.

Following completion of the acquisition there remained only certain small loans amounts owing from Kropz SA, Kropz Elandsfontein and ELH to Kropz International.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(ii) Kropz Elandsfontein share purchase agreement

A share purchase agreement dated 27 November 2018 between the Company and ARC pursuant to which the Company purchased from ARC four per cent. of the issued share capital of Kropz Elandsfontein in consideration for the issue and allotment of 5,499,124 ordinary shares in Kropz plc to ARC at 40 pence per ordinary share.

(b) Acquisition of Kropz SA and its subsidiaries

As it is an acquisition of more than 90 per cent. of the share capital, merger relief has been applied.

The following table summarises the consideration paid for the Kropz SA assets and the carrying value of net liabilities assumed at the acquisition date.

	Fair value
Consideration	**US'000**
Total consideration for shares	**3,814**
Total identifiable net liabilities assumed:	
Cash	96
Trade and other receivables	29
Other financial assets	317
Trade and other payables	(1,799)
Total identifiable net assets acquired	**(1,357)**
Amounts transferred to merger reserve	5,168
Non-controlling interests in Xsando (Pty) and West Coast Fertilisers (Pty)	3
Total	**3,814**

The amount of USD 5,168,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

Kropz SA contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 0.64 million loss before tax. If the acquisition of Kropz SA had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been USD 1.0 million higher.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(c) Acquisition of Kropz Elandsfontein

The following table summarises the consideration paid for Kropz Elandsfontein and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	**US'000**
Total consideration for shares	**40,425**
Total identifiable net asset acquired:	
Property, plant, equipment and mine development	102,915
Cash	1,751
Trade and other receivables	90
Inventory	891
Trade and other payables	(57,925)
Borrowings	(29,702)
Provisions	(4,211)
Total identifiable net assets acquired	**13,809**
Amounts transferred to merger reserve	28,857
Non-controlling interests	(2,241)
Total	**40,425**

The amount of USD 28,857,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

Kropz Elandsfontein contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 5.2 million loss before tax. If the acquisition of Kropz Elandsfontein had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been approximately USD 21.4 million higher.

(d) Acquisition of ELH

The following table summarises the consideration paid for ELH and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	**US'000**
Total consideration for shares	**1,422**
Total identifiable net assets acquired:	
Property, plant and equipment	2,476
Cash	1
Trade and other receivables	2
Trade and other payables	(2,480)
Total identifiable net liabilities assumed	(1)
Amounts transferred to merger reserve	1,376
Non-controlling interests	47
Total	**1,422**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

The amount of USD 1,376,000 transferred to the merger reserve represents the amount by which consideration is in excess of net assets attributable to the parent company.

ELH contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD 0.16 million loss before tax. If the acquisition of ELH had been completed on the first day of the financial period, Group loss attributable to equity holders of the parent would have been approximately USD 0.7 million higher.

Following completion of the re-organisation, Kropz plc owns, directly and indirectly:

- 50 per cent. + 1 share of First Gear;
- 100 per cent. of the issued share capital of Kropz SA;
- 74 per cent. of the issued share capital of Kropz Elandsfontein (36 per cent. directly, 38 per cent. indirectly); and
- 70per cent. of the issued share capital of ELH (23 per cent. directly, 47 per cent. indirectly).

(e) Acquisition of Cominco Resources

On 10 August 2018 Kropz plc entered into an exclusivity agreement for the proposed acquisition by Kropz plc of Cominco Resources. Cominco Resources, which through its wholly owned subsidiary, Cominco S.A., owns 100 per cent. of the Hinda Phosphate Project.

Cominco is a company incorporated and domiciled in the BVI with Company Number BV No 1416753. Cominco is the parent company of the Cominco Group, which includes the following subsidiaries in the consolidated financial statements:

- Cominco S.A (RoC) – 100 per cent. interest held

- Cominco Resources (UK) Ltd (England and Wales) - 100 per cent. interest held

The Cominco Group operates solely in the RoC and Cominco S.A holds the licences for the Cominco Group's natural resource interests in RoC.

Pursuant to the Cominco offer document dated 1 November 2018, Kropz plc made an offer to acquire the share capital of Cominco at the date of admission of Kropz plc's shares to trading on AIM.

Under this Offer agreement, the key shareholders, Cominco and Kropz plc agreed the sale of their shares in Cominco for USD 85.17 cents per share (amounting to a USD 40 million enterprise value), to be satisfied by the issue of Kropz plc shares upon Kropz plc's shares being admitted to trading on the AIM market of the London Stock Exchange. The offer was conditional, inter alia, on Kropz plc raising a minimum of USD 35 million pursuant to the placing and subscription (before expenses) and admission becoming effective.

The Company had received valid acceptances from 71.3 per cent. of the Cominco Shareholders and accordingly, on Admission, the Company acquired 71.3 per cent. of Cominco.

The offer for Cominco had its Final Closing on 30 November 2018 and the Company had received in aggregate valid acceptances in respect of 98.97 per cent. of the ordinary shares of Cominco Resources ("Cominco Shares").

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

On 3 December 2018, Kropz plc announced it had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer had been declared unconditional in all respects, Kropz applied the provisions of section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco Shares held by the remaining Cominco Shareholders.

The total consideration shares issued by Kropz plc to previous Cominco shareholders was 77,321,651 ordinary shares at an issue price of 40 pence per ordinary share, giving a total consideration of £30,928,660 (equivalent to USD 39,629,266).

The following table summarises the consideration paid for Cominco Resources and the carrying value of net assets acquired at the acquisition date.

	Fair value
Consideration	**US'000**
Total consideration for shares	**39,629**
Total identifiable net assets acquired:	
Exploration assets	42,038
Property, plant and equipment	8
Cash	73
Trade and other receivables	16
Trade and other payables	(751)
Total identifiable net assets acquired	**41,384**
Amounts transferred to exploration and evaluation assets	(1,329)
Non-controlling interests	(426)
Total	**39,629**

The fair value of the Company's investment has been allocated to underlying assets and liabilities and the difference has been adjusted against the exploration asset.

Cominco Resources contributed USD nil of revenue for the period between the date of acquisition and the balance sheet date and USD nil profit before tax. If the acquisition of Cominco Resources had been completed on the first day of the financial period, Group losses attributable to equity holders of the parent would have been approximately USD 0.6 million higher.

On 19 February 2019, Kropz plc announced it had acquired the remaining 482,927 Cominco shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(4) Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2018, are as follows:

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Company
Kropz SA (Pty) Limited	South Africa	Unit 213, The Hills Buchanan Square 160 Sir Lowry Road Woodstock	Intermediate holding company	100 per cent.
Elandsfontein Land Holdings (Pty) Ltd	South Africa	Cape Town 8001 South Africa	Property owner	70 per cent. *
Kropz Elandsfontein (Pty) Ltd	South Africa		Phosphate exploration and mining	74 per cent. **
West Coast Fertilisers (Pty)	South Africa		Phosphoric acid production	70 per cent.
Xsando (Pty) Ltd	South Africa		Sand sales	70 per cent.
First Gear Exploration Limited	Ghana	4 Momotse Avenue PO Box GP 1632 Accra, Ghana	Phosphate exploration	50 per cent. + 1 share
Cominco Resources Limited	RoC	Woodbourne Hall, PO Box 3162, Road	Phosphate exploration	98.97 per cent.
Cominco S.A.	RoC	Town, Tortola, British Virgin Islands	Development	98.97 per cent. ***
Cominco Resources (UK) Ltd	England and Wales		Service company	98.97 per cent. ***

* 46.67 per cent. held indirectly
** 38.18 per cent. held indirectly
*** held indirectly

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

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(5) Tangible assets – property, plant, equipment and mine development

	31 Dec 2018 Cost US$'000	31 Dec 2018 Accumulated Depreciation US$'000	31 Dec 2018 Carrying value US$'000
Buildings and infrastructure			
Land	2,108	-	2,108
Buildings	11,217	(7)	11,210
Capitalised road costs	8,996	(1,499)	7,497
Capitalised electrical sub-station	3,903	(564)	3,339
Machinery, plant and equipment			
Critical spare parts	1,185	-	1,185
Plant and machinery	54,329	(67)	54,262
Furniture & fittings	44	(40)	4
Geological equipment	48	(47)	1
Office equipment	35	(8)	27
Other fixed assets	1	-	1
Motor vehicles	130	(106)	24
Computer equipment	38	(33)	5
Mine development			
Mine development	18,724	-	18,724
Stripping activity costs	3,188	-	3,188
Game animals	251	-	251
Total	**104,197**	**(2,371)**	**101,826**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Reconciliation of property, plant, equipment and mine development – Period ended 31 December 2018

	Opening Balance US$'000	Additions US$'000	Disposals US$'000	Depreciation charge US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Buildings and infrastructure						
Land	-	2,182	-	-	(74)	**2,108**
Buildings		11,608		(2)	(396)	**11,210**
Capitalised road costs	-	8,072	-	(302)	(273)	**7,497**
Capitalised sub station	-	3,592	-	(131)	(122)	**3,339**
Machinery, plant and equipment						
Critical spare parts	-	1,256	(28)	-	(43)	**1,185**
Plant and machinery	-	56,057	-	-	(1,795)	**54,262**
Furniture & fittings	-	5	-	(1)	-	**4**
Geological equipment	-	3	-	(2)	-	**1**
Office equipment	-	30	-	(2)	(1)	**27**
Other fixed assets	-	1	-	-	-	**1**
Motor vehicles	-	37	-	(12)	(1)	**24**
Computer equipment	-	11	-	(5)	(1)	**5**
Mine development						
Mine development	-	19,384	-	-	(660)	**18,724**
Stripping activity costs	-	3,300	-	-	(112)	**3,188**
Game animals	-	293	-	-	(42)	**251**
Total	**-**	**105,831**	**(28)**	**(457)**	**(3,520)**	**101,826**

All additions during the period, other than USD 531,000 in relation to plant and machinery, were made on the acquisition of subsidiaries.

Game animals
Game animal assets are carried at fair value. The different levels are defined as follows:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access as measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements – Level 3.

Impairment
The Elandsfontein mine is currently under care and maintenance. The Directors have therefore carried out an impairment assessment. No impairment has been identified.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(6) Intangible assets - Exploration and evaluation costs

	31 Dec 2018 Cost US$'000	31 Dec 2018 Amort-isation US$'000	31 Dec 2018 Carrying value US$'000
Capitalised costs	**40,772**	**-**	**40,772**

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.

All additions during the period were made on the acquisition of subsidiaries.

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

Reconciliation of exploration assets

	Opening Balance US$'000	Additions US$'000	Amounts transferred on acquisition of subsidiaries (Note 3) US$'000	Foreign exchange gain US$'000	Closing balance US$'000
Period ended 31 December 2018					
Capitalised exploration costs	-	42,083	(1,267)	44	**40,772**

(7) Amounts due from a director

	31 December 2018 US$'000
Michael Nunn	33
Total	**33**

The amounts are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(8) Other financial assets

	31 December 2018 US$'000
DMR guarantee	695
Eskom guarantee (1)	124
Eskom guarantee (2)	364
Eskom guarantee (3)	370
Heritage Western Cape Trust	70
Total	**1,623**

DMR guarantee
Guarantee in favour of the Department of Mineral Resources for ZAR10,000,000 in respect of a ''financial guarantee for the rehabilitation of land disturbed by prospecting/mining''.

Eskom guarantee (1)
Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR1,788,433 in respect of a ''contract works security guarantee''.

Eskom guarantee (2)
Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR5,235,712 in respect of 'supply agreement (early termination) guarantee''.

Eskom guarantee (3)
Guarantee issued to Eskom Holdings SOC Limited in the amount of ZAR5,305,333 in respect of an ''electricity accounts guarantee''.

Heritage Western Cape Trust
ZAR1,000,000 settlement agreement trust fund held in trust by attorneys on behalf of the Heritage Western Cape Trust until Kropz Elandsfontein lodges a heritage impact assessment. The heritage impact assessment was lodged in 2018 and the Group is waiting for the return of the guarantee.

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

(9) Inventories

	31 December 2018 US$'000
Consumables	**838**
Spare parts	**23**
Total	**861**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(10) Trade and other receivables

	31 December 2018 US$'000
Other receivables	**86**
Deposits	**47**
VAT	**198**
Total	**331**

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.

(11) Cash and cash equivalents

	31 December 2018 US$'000
Bank balances	30,456
Cash on hand	1
Total	**30,457**

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

The Company was incorporated with an issued share capital of £1 made up of one ordinary share of £1. 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Shares were issued during the period as set out below:

	Number of shares	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Total US$'000
On incorporation	1	-	-	-	-
Issued to Kropz International (a)	49,999	-	70	-	70
Subdivision of shares (b)	450,000	-	-	-	-
Issued to Kropz International (c)	163,221	-	117	-	117
Issued to Kropz International (e)	1	-	-	-	-
Issued to Kropz International (f)	93,260,034	120	69,320	3,809	73,249
Issued to ARC (h)	5,499,124	7	2,811	-	2,818
Capitalisation of debt (i)	9,875,698	13	5,049	-	5,062
Conversion of Loan Note (j)	6,902,148	9	2,520	-	2,529
Offer for Cominco Resources (k)	55,669,176	71	28,461	-	28,532
Placing and Subscription shares (l)	68,359,376	88	34,949	-	35,037
Further acceptances of Offer for Cominco Resources (m)	21,652,475	27	-	11,069	11,096
Cost of issuing shares	-	-	(1,271)	-	(1,271)
Adjustments on acquisition of subsidiaries	-	-	-	(35,401)	(35,401)
At 31 December 2018	**261,881,253**	**335**	**142,026**	**(20,523)**	**121,838**

The changes to the issued share capital of the Company which occurred between the date of incorporation and 31 December 2018 are as follows:

a) On 20 March 2018, the Company issued and allotted 49,999 ordinary shares to Kropz International for cash at a nominal value of £1 per ordinary share;

b) On 4 June 2018, each ordinary share of £1 each in the capital of the Company was divided into 10 ordinary shares of 10 pence each in the capital of the Company;

c) On 21 August 2018, the Company issued 163,221 Ordinary Shares to Kropz International pursuant to a share for share exchange whereby Kropz International received 163,221 Ordinary Shares in consideration for the transfer of: (i) its holding of 1,125,001 ordinary shares of no par value in First Gear (representing 50 per cent. plus 1 share of the issued share capital of First Gear); and (ii) the novation rights and obligations under the First Gear Loan Agreements to the Company;

d) On 26 November 2018, the Company sub-divided the existing 663,221 ordinary shares of 10 pence each into 663,221 Ordinary Shares of 0.01 pence per share and 663,221 deferred shares of £0.099 each in the capital of the Company (''Deferred Shares'');

e) On 27 November 2018, the company issued and allotted 1 ordinary share of 0.1 pence in the capital of the Company (the ''Buy-back Share'') to Kropz International in cash for 1 pence, resulting in an issued share capital of 663,222 Ordinary Shares and 663,221 Deferred Shares;

f) On 27 November 2018, the Company issued 93,260,034 Ordinary Shares (the ''Reorganisation Shares'') to Kropz International pursuant to an asset and share purchase agreement dated 21 November 2018 between the Company (1) and Kropz International (2) whereby Kropz International received the Reorganisation Shares in consideration for the transfer of (i) the entire issued share capital of Kropz SA; (ii) 32 per cent. of the issued share capital of Kropz

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Elandsfontein; (iii) 23 per cent. of the issued share capital of ELH; (iv) the benefit of the outstanding Kropz SA loan account of USD 1,242,454; (v) the benefit of the outstanding Kropz Elandsfontein loan account of USD 30,743,792; and (vi) the benefit of the outstanding ELH loan account of USD 1,692,072;

g) On 27 November 2018, the Company bought back the Deferred Shares for an aggregate sum of 1 pence and these were then cancelled;

h) On 27 November 2018, the Company issued 5,499,124 Ordinary Shares to ARC (the ''ARC Consideration Shares'') pursuant to a share purchase agreement whereby ARC received the ARC Consideration Shares in consideration for the transfer of 4 per cent. of the issued share capital of Kropz Elandsfontein;

i) A debt capitalisation letter dated 8 October 2018 pursuant to which the ARC agreed to capitalise the amount of USD 5.06 million (owing from the Company to the ARC following various restructuring and capitalisations implemented by the Kropz Group in the pre-Admission restructuring). The Capitalisation was conditional on Admission and resulted in the issue of 9,875,698 Ordinary Shares to ARC upon Admission;

j) On 27 November 2018, the Company executed the Convertible Loan Note Instrument pursuant to which the Company issued Convertible Notes to Kropz International at a rate of one month LIBOR plus 3 per cent. per annum and a final maturity date of 31 December 2019. The principal amount of the Convertible Notes of USD 2,500,000 and accrued interest of USD 29,328 was automatically converted into Conversion Shares on Admission at 28.6 pence per share, a 28.5 per cent. discount to the Placing Price;

k) The Company conditionally offered to acquire the entire issued and to be issued share capital of Cominco on the basis of 1.66 Ordinary Share for each Cominco Share. As at the First Closing Date (21 November 2018), valid acceptances to accept the Offer were received in respect of 33,465,747 Cominco Shares representing 71.3 per cent. of the Cominco Shares and, accordingly, the Offer became unconditional as to acceptances. On Admission on 30 November 2018, the Company acquired 71.3 per cent. of Cominco, which required the allotment and issue of 55,669,176 Ordinary Shares (the "First Offer Shares'') to Cominco Shareholders on Admission at 40 pence a share (£22,267,670, approximately USD 28,532,000);

l) On Admission, the Company raised £27,343,750 (approximately USD 35,036,000) by way of the Placing and Subscription of 68,359,376 Ordinary Shares at 40 pence per share; and

m) Further acceptances of the Offer for Cominco Resources were received on 3 December 2018 in respect of 13,016,470 Cominco Shares representing 27.67 per cent. of the Cominco Shares for which a further 21,652,475 Ordinary Shares of Kropz were allotted and issued at 40 pence per share (£8,660,990, approximately USD 11,096,000).

Subsequent to 31 December 2018, the Company issued further shares as follows:

On 1 February 2019, the Company issued 1,357,080 new ordinary shares at a price of 40 pence per share and 1,116,544 warrants at an exercise price of 40 pence per warrant to certain advisers in lieu of cash fees arising from their involvement with the Company's admission to AIM on 30 November 2018 and the acquisition of Cominco.

As Kropz had received acceptances under the Offer in respect of 90 per cent. or more of the Cominco Shares and the Offer was declared unconditional in all respects and Kropz applied the provisions of

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

section 176 of the BVI Business Companies Act 2004 to compulsorily redeem any outstanding Cominco Shares held by the remaining Cominco Shareholders.
Pursuant to the Compulsory Redemption, Kropz acquired the remaining 482,927 Cominco Shares on 19 February 2019, for which a further 803,315 Ordinary Shares of Kropz were issued at 40 pence per share, resulting in an issued share capital of 264,041,648 Ordinary Shares.

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 (the ''ESOP'') which will be used to grant awards on Admission of the Company to AIM and following Admission – a performance and service-related plan pursuant to which nominal-cost options can be granted; and
- an executive long-term incentive plan (the ''LTIP'') – 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'').

The Company issued a total of 8,190,355 share options during the period ended 31 December 2018. Options were valued at the full exercise price of 40p per share and are to be expensed over the 60 month vesting period. An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

No options have been exercised or forfeited. Accordingly, all options remained in place at 31 December 2018.

The charge to profit and loss was £nil due to the immateriality of the value of the options charge in the period from issue.

No LTIP awards were made during the period ended 31 December 2018.

Equity warrants

The Company also issued 1,116,544 equity warrants over ordinary shares in the Company held during the period, as more fully described in the Directors' Report.

The warrants were valued at year end using a Black-Scholes valuation model. The charge to profit and loss during the year was £nil due to the immateriality of the value of the warrants.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(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.

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 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.

(14) Shareholder loan payable

	31 December 2018 US$'000
ARC	**14,386**

As part of the wider group reorganisation certain shareholder loans in Kropz SA, Kropz Elandsfontein and ELH were consolidated and set-off against various other loans receivable and payable.

The consolidation and set-off of various loans was completed in order to simplify the debt structure of the Group. In addition, loans payable to Kropz International and ARC were reduced through the issue of new share capital in Kropz SA, Kropz Elandsfontein and ELH.

The remaining loans payable to Kropz International were novated to Kropz plc on 27 November 2018 in exchange for new shares in Kropz plc. Following the debt restructuring, there are no loans payable to Kropz International by the Kropz Group. All shareholder loans outstanding at 31 December 2018 are in relation to amounts due to ARC which holds a 47.4 per cent. interest in Kropz plc.

Such loans are: (i) USD denominated but any payments will be made in ZAR at the then current exchange rate; (ii) carry interest at monthly US LIBOR plus 3 per cent; and (iii) are repayable by no later than 1 January 2035 (or such earlier date as agreed between the parties to the shareholder agreements). Details of the group reorganisation are provided in note 3.

Fair value of shareholder loans

The carrying value of the loans approximates their fair value.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(15) Other financial liabilities

	31 December 2018 US$'000
BNP Paribas	29,551
Greenheart Foundation	517
Other loans	1
Total	**30,069**
Non-current financial liabilities	**29,551**
Current financial liabilities	**518**
Total	**30,069**

BNP Paribas
A USD 30,000,000 facility has been made available by BNP Paribas. Interest is charged at three months LIBOR plus 4.5 per cent. and was repayable quarterly over 2 years. The first repayment was due on 31 March 2018.

The Group was unable to fund the instalment payments on the loan as they fell due and consequently, under the terms of the facility agreement, was in default from 1 April 2018. On 20 September 2018 the Group and BNP Paribas conditionally agreed a waiver of the breach and restructure of the facility under which the first capital repayment has been deferred to 30 September 2020. In addition, BNP Paribas provided the necessary consents required to facilitate all the contemplated transactions leading up to the admission of Kropz plc to AIM. The waiver and restructured facility were contingent on the admission of Kropz plc's shares to trading on AIM by 30 November 2018.

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

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

(16) Provisions

Reconciliation of provisions – period ended 31 December 2018

	Opening Balance US$'000	Additions US$'000	Foreign exchange gain/loss US$'000	Closing balance US$'000
Provision for dismantling costs	-	539	(21)	518
Provisions for rehabilitation	-	3,512	(99)	3,413
Total	**-**	**4,051**	**(120)**	**3,931**

Dismantling and rehabilitation provisions
All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(17) Trade and other payables

	31 December 2018 US$'000
Trade payables	10,138
Other payables	1,394
Accruals	424
Total	**11,956**

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

(18) Commitments

	31 December 2018 US$'000
Authorised capital commitments	**250**

(19) Directors' remuneration, interests and transactions

The Directors and two executives of the Company are considered to be the KMP of the Group.

Details of the Directors remuneration, KMP remuneration (which totalled USD 480,131 including social security contributions) and Directors' interests in the share capital of the Company are disclosed in the Directors' Report.

The highest paid Director in the year received remuneration, excluding notional gains on share options, of USD 341,589.

(20) Finance income

	Period ended 31 December 2018 US$'000
Interest income received	382
Total	**382**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(21) Operating loss

Operating loss is after accounting for the following:

	Period ended 31 December 2018 US$'000
Foreign exchange loss	**1,555**
Fair value loss on game animals	**32**
Depreciation on property, plant and machinery	**457**
Employee costs	**613**
Electricity and water – mine operations	**26**
Mining costs	**197**
Plant operating costs and recoveries	**127**
Auditor's remuneration in respect of audit of the group and parent	**80**
Auditor's remuneration in respect of audit of Cominco	**25**

(22) Staff costs

	Period ended 31 December 2018 No.
The average monthly number of employees was:	
Operations	7
Finance and administration	2
Management	5
	14

	Period ended 31 December 2018 US$'000
Aggregate remuneration (including Directors):	
Wages and salaries (including bonuses)	577
Social security costs	48
Share-based payments	-
Pension costs	-
	625

(23) Finance expense

	Period ended 31 December 2018 US$'000
Shareholder loans	409
Foreign exchange losses	1,555
Bank debt	357
Total	**2,321**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(24) Taxation

Major components of tax charge	**Period ended 31 December 2018 US$'000**
Deferred	
Originating and reversing temporary differences	-
Current tax	
Local income tax recognised in respect of prior periods	66
Total	**66**

Reconciliation of tax charge

	Period ended 31 December 2018 US$'000
Loss before tax	(7,611)
Applicable UK tax rate	19%
Tax income at applicable tax rate	(1,446)
Adjustments for different tax rates in the Group	(525)
Disallowable expenditure	373
Prior period tax charge	66
Losses carried forward not recognised	1,598
Tax charge	**66**

The Group had losses for tax purposes of approximately USD 27.8 million as at 31 December 2018 which, subject to agreement with taxation authorities, are available to carry forward against future profits.

A net deferred tax asset of approximately USD 7.8 million, after set off of accelerated depreciation allowances in respect of fixed assets of USD 26.0 million, arises in respect of these losses. It has not been established as the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain. The deferred tax asset and deferred tax liability relate to income tax in the same jurisdiction and the law permits set off.

(25) Earnings per share

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

	Period ended 31 December 2018 US$'000
Loss attributable to ordinary shareholders	**(6,255)**
Weighted average number of ordinary shares in Kropz plc	**24,575,156**
Basic and diluted earnings per share (US$)	**(0.25)**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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

(26) Notes to the statement of cash flows

Net debt reconciliation – period ended 31 December 2018

	Opening Balance US$'000	Assumed on acquisition of subsidiaries US$'000	Cash movements US$'000	Foreign exchange gain/(loss) US$'000	Closing balance US$'000
Cash and cash equivalents	-	300	30,164	(7)	30,457
Other financial assets	-	1,680	-	(57)	1,623
Shareholder loan payable	-	(14,178)	(696)	488	(14,386)
Other financial liabilities – non-current	-	(30,238)	(867)	1,037	(30,068)
Total	**-**	**(42,436)**	**28,601**	**1,461**	**(12,374)**

	Shareholder loans (Note 14) US$'000	Other financial liabilities Non-current (Note 15) US$'000	Total US$'000
At 10 January 2018	-	-	-
Assumed on purchase of subsidiaries	14,178	30,238	44,416
Amounts advanced	696	867	1,563
Effect of foreign exchange movements	(488)	(1,037)	(1,525)
At 31 December 2018	**14,386**	**30,068**	**44,454**

(27) Related parties

Kropz plc and its subsidiaries

The following parties are related to Kropz plc:

Name	Relationship
Mark Summers	Director
Ian Harebottle	Director
Michael Nunn	Director
Linda Beal	Director
Mike Daigle	Director
Lord Robin William Renwick	Director
Machiel Johannes Reyneke	Director
Kropz SA	Subsidiary
ELH	Subsidiary
Kropz Elandsfontein	Subsidiary
West Coast Fertilisers (Pty)	Subsidiary

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Xsando (Pty) Ltd	Subsidiary
First Gear	Subsidiary
SA Lithium (Pty) Ltd	Subsidiary until 5 March 2018
Cominco Resources Limited	Subsidiary
Cominco S.A.	Subsidiary
Cominco Resources (UK) Ltd	Subsidiary
Kropz International	Shareholder
ARC	Shareholder

Details of the group reorganisation and associated transactions with shareholders are explained in Note 3, 12 and 14. In addition, following transactions were carried out with related parties:

Related party balances
Loan accounts – owed (to) / by related parties

	31 December 2018 US$'000
ARC	**(14,386)**
M Nunn	**33**
Others	**(1)**
Total	**(14,354)**

Related party balances
Interest paid to / (received from) related parties

	Period ended 31 December 2018 US$'000
Kropz International	345
ARC	64
Total	**409**

(28) Categories of financial instrument

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

	31 December 2018 US$'000
Financial assets at amortised cost	
Trade and other receivables	331
Due from a director	33
Other financial assets	1,623
Cash and cash equivalents	30,457
Total	**32,444**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

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

	31 December 2018 US$'000
Financial liabilities at amortised cost	
Shareholder loans payable	14,386
Trade and other payables	11,956
Other financial liabilities	30,069
Total	**56,411**

(29) 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 15 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

At 31 December 2018	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
Shareholder loans payable	-	-	-	20,927
Trade and other payables	11,956	-	-	-
Other financial liabilities	2,251	13,718	20,850	-
Total	**14,207**	**13,718**	**20,850**	**20,927**

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 2018, if interest rates on the shareholder and BNP loans (denominated in USD) had been 1 per cent. higher/lower with all other variables held constant, post-tax losses and equity for the period would have been approximately USD 40,000 higher/lower respectively.

Foreign currency risk

Most of the Group's transactions are carried out in 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. As at 31 December 2018 the Group's net exposure to foreign exchange risk was as follows:

	Functional currency	
Net foreign currency financial liabilities	**South African Rand US$'000**	**Total US$'000**
Currency		
US$	(43,936)	(43,936)
Net foreign currency exposure	**(43,936)**	**(43,936)**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

Sensitivity analysis:

A 10 per cent. movement in the Rand and Pound against the US Dollar would increase/(decrease) profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase/ (Decrease) US$'000
Effects on profit or loss	
Rand:	
- strengthened by 10%	(4,394)
- weakened by 10%	4,394

(30) Segment information

Operating segments
Up to the date of approval of the financial information for the period ended 31 December 2018, the Board of Directors considered that the Group had one operating segment, being that of phosphate mining. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

Geographical segments
Since the acquisition of First Gear in June 2018, and the acquisitions of Kropz SA, Kropz Elandsfontein, ELH and Cominco Resources in November 2018, the Group has operated in three principal geographical areas – Ghana, South Africa and the RoC.

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

	South Africa US$'000	**Ghana US$'000**	**Congo US$'000**	**Group US$'000**
Total non-current assets	103,441	62	40,718	144,221

(31) Non-controlling interests

	31 December 2018 US$'000
As at beginning of period	**-**
Share of losses for the period	(1,422)
Purchase of non-controlling interests in subsidiaries	2,560
As at end of the period	**1,138**
Non-controlling interests in cash flows	**(1,381)**

Notes to the Consolidated Financial Statements for the period ended 31 December 2018 (continued)

(32) Material subsequent events

On 19 February 2019, pursuant to a squeeze out of the Cominco minorities, Kropz plc announced it had acquired the remaining 482,927 Cominco shares for which a further 803,315 ordinary shares of Kropz plc were issued at 40 pence per ordinary share. Application was made for these additional 803,315 ordinary shares to be admitted to trading on AIM with admission completed on 22 February 2019.

Options are being investigated to support the Company's additional cash requirements for Elandsfontein (approximately USD 20 million), and to further advance its Hinda and Aflao projects (approximately USD 4 million).

(33) Ultimate controlling party

The Directors consider ARC to be the ultimate controlling party of the Company

Company Statement of Financial Position
(Registered number: 11143400)
As at 31 December 2018

	Note	31 December 2018 US$'000
Fixed assets		
Investment in subsidiaries	3	111,606
Amounts due from subsidiaries		39,820
		151,426
Current assets		
Debtors	4	201
Cash and bank balances		5,144
		5,345
Creditors		
Amounts falling due within one year	7	2,449
		2,449
Net current assets		2,896
Total assets less current liabilities		154,322
Creditors		
Amounts falling due after more than one year		-
Net Assets		**154,322**
Capital and Reserves		
Share capital	5	335
Share premium account		142,026
Merger reserve		14,878
Retained losses		(1,961)
Foreign currency translation reserve		(956)
		154,322

Capital and reserves include losses for the period of the parent company of USD 1,961,000.

The Notes on pages 99 to 103 form an integral part of these Financial Statements.

The Financial Statements on pages 97 to 103 were approved and authorised for issue by the Board of Directors on 21 June 2019 and were signed on its behalf by:

Mark Summers, Chief Financial Officer
21 June 2019

Company Statement of Changes in Equity
For the period ended 31 December 2018

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 10 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the period	-	-	-	-	(1,961)	(1,961)
Other comprehensive income	-	-	-	(956)	-	(956)
Total comprehensive income for the period	**-**	**-**	**-**	**(956)**	**(1,961)**	**(2,917)**
Issue of shares	335	143,297	14,878	-	-	158,510
Costs of issuing shares	-	(1,271)	-	-	-	(1,271)
Transactions with owners	**335**	**142,026**	**14,878**	**-**	**-**	**157,239**
At 31 December 2018	**335**	**142,026**	**14,878**	**(956)**	**(1,961)**	**154,322**

Notes to the Company Financial Statements for the period ended 31 December 2018

1. General information

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 Suite 4F Easistore Building Longfield Road North Farm Estate Tunbridge Wells TN2 3EY. The registered number of the Company is 11143400.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company's Financial Statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the Financial Statements on a going concern basis. Disclosures in relation to going concern are shown in Note 2 (a) to the Consolidated Financial Statements.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate Financial Statements. The loss attributable to members of the Company for the period ended 31 December 2018 is USD 1,961,000.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 11 Financial Instruments.

Going concern

During the period ended 31 December 2018, the Company incurred a loss of USD 2 million. Cash and cash equivalents totalled USD 5 million as at 31 December 2018. The Company has no current source of operating revenue and is therefore dependent on both existing cash resources and future fund raisings to meet overheads and future exploration requirements as they fall due.

The directors have prepared a cash flow forecast which indicates that the Company will not have sufficient liquidity to meet its forecast working capital requirements to the end of the going concern period, primarily being corporate costs, meeting its funding obligations for exploration expenditure, and costs related to the Aflao and Hinda projects with an additional USD 4 million required in order for the Company to meet its targeted objectives for these projects. Additional funding is also going to be required at Elandsfontein prior to initiating the targeted upgrades to the processing plant, with various options being considered by the Board on how and when best to source this additional funding.

Notes to the Company Financial Statements for the period ended 31 December 2018 (continued)

The directors have therefore considered mitigating actions, which include:

- Completion of a capital raising; and
- Managing and deferring costs where applicable to coincide with a capital raising activity to ensure that all obligations can be met.

The directors are planning to raise approximately USD 4 million additional capital in the short term to enable the Company to continue to fund its exploration and development programme and fulfil its working capital requirements.

The directors have reviewed the Company's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that funding will be secured and therefore that the operational and financial plans in place are achievable and accordingly the Company will be able to continue as a going concern and meet its obligations as and when they fall due.

The ability of the Company to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to the Company'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 Company not continue as a going concern.

(b) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

(c) Fixed asset investments

Fixed asset investments in Group undertakings are carried at cost less any provision for impairment.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Exchange differences arising on the translation of the Company's results and net assets from its functional currency of GBP to the presentational currency of USD are taken to the foreign currency translation reserve.

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Notes to the Company Financial Statements for the period ended 31 December 2018 (continued)

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Share-based payment arrangements

The policy for the Company's share-based payment arrangements can be found in Note 2(p) of the Consolidated Financial Statements.

3. Investment in subsidiaries

	31 December 2018 US$'000
Cost	
At 10 January 2018	-
Acquisition of subsidiaries	85,295
Purchase of preference shares in Kropz Elandsfontein	26,311
At 31 December 2018	111,606
Amortisation/impairment:	
At 10 January 2018	-
Provision for impairment	-
At 31 December 2018	-
Net Book Value	111,606

Details of the Company's acquisitions during the period ended 31 December 2018 are set out in Note 3 to the Consolidated Financial Statements.

Details of the Company's subsidiaries as at 31 December 2018 are set out in Note 4 to the Consolidated Financial Statements.

4. Debtors

	31 December 2018 US$'000
VAT recoverable	138
Other debtors	63
	201

Notes to the Company Financial Statements for the period ended 31 December 2018 (continued)

5. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in Note 12 to the Consolidated Financial Statements.

The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

6. 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 financial statements from their functional currencies to the presentational currency.

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 on 30 November 2018.

7. Creditors: amounts falling due within one year

	31 December 2018 US$'000
Trade creditors	1,729
Taxes and social security	21
Other creditors and accruals	699
	2,449

8. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 19 to the Consolidated Financial Statements.

The following transactions with subsidiaries occurred in the period:

	31 December 2018 US$'000
Opening amount	-
Amounts advanced to subsidiaries	26,311
Closing amount	26,311

Notes to the Company Financial Statements for the period ended 31 December 2018 (continued)

In addition intercompany balances of USD 35,384,762 were acquired when the South African subsidiaries were acquired. See note 3 for further details.

9. Subsequent events

Disclosures in relation to events after 31 December 2018 are shown in Note 32 to the Consolidated Financial Statements.

Company Information

Directors
Lord Robin William Renwick of Clifton, Non-executive Chairman
Ian Timothy Harebottle, Chief Executive Officer
Mark Robert Summers, Chief Financial Officer
Michael (Mike) John Nunn, Non-executive Director
Machiel Johannes Reyneke, Non-executive Director
Michael (Mike) Albert Daigle, Independent Non-Executive Director
Linda Janice Beal – Independent Non-Executive Director

Company secretary
Mark Robert Summers

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