KROPZ PLC

Registered number 11143400

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023

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Kropz plc ("Kropz", the "Company") and its subsidiaries (the "Group")
Unaudited Results for the Twelve Months ended 31 December 2023

Kropz plc (AIM: KRPZ), an emerging African phosphate developer and producer, is pleased to announce its unaudited results for the twelve months ended 31 December 2023. On 8 November 2023 the Company announced that it had changed its accounting reference date from 31 December to 31 March. Accordingly, the Company is today presenting unaudited interim results for the 12 months to 31 December 2023.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Operational highlights

As the Company entered the new financial period it started with the first trial sales being recorded from the trial production phase. The Group recorded revenue of US$ 30.2 million for the twelve months ended 31 December 2023.

During the year, the Company faced significant challenges due to unprecedented rainfall in the Western Cape region in South Africa. The heavy and persistent rains combined with large volumes of in-pit water resulted in severely wet mining conditions, posing obstacles to our operations. To address this issue, the Company has undertaken various measures, with a primary focus on increasing in-pit drainage to alleviate the waterlogged conditions in our mining areas and implementing ore stockpiling and blending strategies.

The extent of the ultra-fines (natural slimes) in the ore encountered has also limited our production throughput. In response, Kropz Elandsfontein (Pty) Ltd ("Elandsfontein") is making strategic investments in new equipment that will enable the plant to more effectively handle and process the challenging slimes material. Elandsfontein aims to increase its production throughput by more than 40% following commissioning of the new equipment. The project is expected to be fully operational by the end of the second quarter of 2024.

In addition to addressing the wet mining conditions, Kropz Elandsfontein continues employing separating and stockpiling techniques of the various ore materials encountered at Elandsfontein. The Company is in process of analysing and testing the various ore types being stockpiled to identify and refine the appropriate method of mining and processing to drive efficiencies.

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

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

Key financial indicators

- Elandsfontein recognised its first trial revenue during the 12-month period under review. In total, Elandsfontein achieved total sales of US$ 30.2 million for the twelve months ended 31 December 2023 (period ended: 31 December 2022: nil). This was below expectations due to the significant mining and production challenges faced.
- As the Company is still ramping up to steady-state production, a gross loss has been recognised in the period of US$ 5.7 million. The loss was largely due to Elandsfontein having to discount its sales prices as a new market entrant and to consider lower grades being achieved as part of the ramp-up process, coupled with higher production costs per tonne. With Elandsfontein operating below planned production levels operational cost per tonne remain elevated.
- Property, plant, equipment and exploration assets carrying value is US$ 112.6 million as at 31 December 2023 (31 December 2022: US$ 111.4 million).
- Cash at 31 December 2023 of US$ 3 million (31 December 2022: US$ 2.1 million);
- Shareholder loans and derivatives at 31 December 2023 of US$ 90.5 million (31 December 2022: US$ 55.1 million).
- Trade and other payables at 31 December 2023 of US$ 8.8 million (31 December 2022: US$ 7.3 million).

- As announced on 14 September 2023, Kropz, Kropz Elandsfontein and ARC Fund ("ARC") agreed to a further ZAR 250 million (approximately US$ 13.2 million) of bridge loan facility ("Loan 1") to meet immediate cash requirements at Kropz Elandsfontein. ZAR 250 million has been drawn by 31 December 2023.The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts are outstanding under the loan, together with interest thereon, are not repaid within 6 months from the first utilisation date, the interest rate will be increased by an additional 2%.
- In December 2023, Kropz Elandsfontein secured a further ZAR 115 million (approximately US$ 6 million) bridge loan facility with ARC ("Loan 2") to meet immediate cash requirements at Kropz Elandsfontein. ZAR 62.5 million has been drawn by 31 December 2023. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts are outstanding under the loan, together with interest thereon, are not repaid within 6 months from the first utilisation date, the interest rate will be increased by an additional 2%.

Key corporate and operational developments during the period

Corporate

- As announced on 16 January 2023, Kropz appointed Louis Loubser to the board of the Company as Chief Executive Officer ("CEO") and executive director.
- The third drawdown on the ZAR 550 million Equity Facility of ZAR 60 million (approximately US$ 3.5 million) occurred on 25 January 2023.
- The fourth drawdown on the ZAR 550 million Equity Facility of ZAR 40 million (approximately US$ 2.2 million) occurred on 27 February 2023.
- The fifth and final draw down on the ZAR 550 million Equity Facility of ZAR 7.5 million (approximately US$ 0.4 million) occurred on 8 December 2023.
- PKF Littlejohn LLP has been appointed as the group auditors for the financial period to 31 March 2024.

Elandsfontein

- First bulk shipments and trial sales have been recorded with a total of 262,703 tonnes of phosphate concentrate sales over the 12 months ending 31 December 2023 from Elandsfontein. Elandsfontein, however, achieved lower sales price compared to the prevailing market price. As a new entrant in the market, in order to gain market share Elandsfontein was required to offer discounted pricing to market participants. Furthermore, Elandsfontein produced lower grade phosphate product as part of its ramp-up operations, which also impacted the sales price. Elandsfontein is aiming to achieve better prices going forward in the market going forward as both quality and market reputation improves.
- Sales volumes are below exceptions due to the lack of available stock on hand. Production has been negatively impacted by unprecedented seasonal rains during the period under review and continued ore variability.

Hinda

- The Company is still in process of identifying potential funding solutions for the development of Hinda.
- Engagement is ongoing with local government regarding project development and progress.
- A reduced-sized project is being assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it.

Key developments post the period end

Corporate

- The Company previously announced that it was in the process of refinancing the BNP loan facility (outstanding amount at 31 December 2023 US$ 11,250,000) and that a replacement loan was expected to be in place in the first quarter of 2024, before the expiry of the facility. Detailed discussions continue with potential lenders regarding a potential replacement loan and it is now expected that a replacement loan will be in place by the end of the second quarter of 2024. The Company is in discussion with BNP to extend its waiver period in line with this timetable.

- On 1 January 2024 Kropz Plc, the Company's functional currency changed from Great British Pounds to United States Dollars.

Elandsfontein

- Kropz had started building its customer base over the 12 months ending 31 December 2023. The Company's rock phosphate has been qualified at customers in South Korea, Australia, and Brazil at both single superphosphate ('SSP") and Phosphoric acid producers.
- Since the start of the 2024 Calendar year, Kropz's core customer base was narrowed down to focus on South Korea, Australia and New Zealand, where the special properties of Kropz Rock Phosphate (Low Cadmium, - toxic metals, - moisture, - odour and - CaO levels) are complementary to country rules dictating the final product properties.
- Shipments and sales of 77,000 tonnes of phosphate concentrate from Kropz Elandsfontein were recorded in Q1 2024.
- Management expects there to be more than sufficient demand for Elandsfontein's Rock Phosphate forecast production to the end of 2024. Two shipments have been planned for qualification trials in both India and Europe to further diversify the customer base.
- A second drawdown on Loan 2 of ZAR 52.5 million was made on 17 January 2024. The loan has been fully drawn to date.
- In March 2024, Kropz Elandsfontein secured a further ZAR 170 million (approximately US$ 9 million) bridge loan facility with The ARC Fund ("ARC") ("Loan 3") to meet immediate cash requirements at Kropz Elandsfontein. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts are outstanding under the loan, together with interest thereon, are not repaid within 6 months from the first utilisation date, the interest rate will be increased by an additional 2%.
- An updated Mineral Resource Estimate ("MRE") is underway and the results of the updated MRE are expected during the second quarter of 2024.

Hinda

- The reduced sized project continues to be assessed to propose a fit-for-purpose low capex project to prove the concept of producing phosphate concentrate in the Congo and exporting it. The update of the project feasibility is ongoing. Cominco has engaged with two engineering firms and local contractors.
- The Company continues to invest in and prioritise ongoing community projects.

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About Kropz plc

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	31 December 2023 Unaudited US$'000	31 December 2022 Audited US$'000
Non-current assets			
Property, plant, equipment and mine development	8	**68,483**	68,965
Exploration assets	9	**44,133**	42,415
Other financial assets		**1,315**	860
		113,931	**112,240**
Current assets			
Inventories		**7,016**	3,273
Trade and other receivables		**3,535**	1,857
Cash and cash equivalents		**3,008**	2,120
		13,559	**7,250**
TOTAL ASSETS		**127,490**	**119,490**
Current liabilities			
Trade and other payables		**8,846**	7,284
Shareholder loans and derivative	10	**72,106**	-
Other financial liabilities	11	**11,743**	26,808
Current taxation		**629**	597
		93,324	**34,689**
Non-current liabilities			
Shareholder loans and derivative	10	**18,441**	55,102
Provisions		**2,343**	2,697
		20,784	**57,799**
TOTAL LIABILITIES		**114,108**	**92,488**
NET ASSETS		**13,382**	**27,002**
Shareholders' equity			
Share capital		**1,212**	1,212
Share premium		**194,063**	194,063
Merger reserve		**(20,523)**	(20,523)
Foreign exchange translation reserve		**(11,697)**	(11,195)
Share-based payment reserve		**326**	271
Accumulated losses		**(122,435)**	(116,972)
Total equity attributable to the owners of the Company		**40,946**	**46,856**
Non-controlling interests		**(27,564)**	(19,854)
		13,382	**27,002**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023

	Notes	Twelve months ended 31 December 2023 Unaudited US$'000	Twelve months ended 31 December 2022 Audited US$'000
Revenue	12	**30,246**	
Cost of Sales		**(35,918)**	-
Gross loss		**(5,672)**	-
Other income		**42**	116
Selling and distribution expenses		**(3,963)**	-
Operating expenses		**(4,276)**	(5,808)
Operating loss		**(13,869)**	**(5,695)**
Finance income	13	**201**	136
Finance expense	14	**(15,801)**	(9,812)
Fair value gain from derivative liability	15	**15,942**	10,807
Impairment losses	16	**-**	(92,661)
Loss before taxation		**(13,527)**	**(97,222)**
Taxation	17	**-**	(602)
Loss for the period		**(13,527)**	**(97,824)**
Loss attributable to:			
Owners of the Company		**(4,163)**	(66,639)
Non-controlling interests		**(9,364)**	(31,185)
		(13,527)	**(97,824)**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
- Exchange differences on translating foreign operations		**(148)**	(3,246)
Total comprehensive loss		**(13,675)**	**(101,070)**
Loss attributable to:			
Owners of the Company		**(4,665)**	(70,027)
Non-controlling interests		**(9,010)**	(31,043)
		(13,675)	**(101,070)**
Earnings per share attributable to owners of the Company:			
Basic and diluted (US cents)	18	**(0.45)**	(7.23)

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

CONDENSED INTERM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Retained earnings US$'000	Total attributable to owners US$'000	Non-controlling interest US$'000	Total equity US$'000
Unaudited – twelve months ended 31 December 2023									
Balance at 1 January 2023	**1,212**	**194,063**	**(20,523)**	**(11,195)**	**271**	**(116,972)**	**46,856**	**(19,854)**	**27,002**
Total comprehensive loss for the period	-	-	-	(502)	-	(4,163)	(4,665)	(9,010)	(13,675)
Share based payment charges	-	-	-	-	55	-	55	-	55
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(1,300)	(1,300)	1,300	-
Transactions with owners	**-**	**-**	**-**	**-**	**55**	**(1,300)**	**(1,245)**	**1,300**	**55**
Balance at 31 December 2023	**1,212**	**194,063**	**(20,523)**	**(11,697)**	**326**	**(122,435)**	**40,946**	**(27,564)**	**13,382**
Audited – Twelve months ended 31 December 2022									
Balance at 1 January 2022	**1,194**	**193,524**	**(20,523)**	**(7,807)**	**1,197**	**(45,626)**	**121,959**	**5,778**	**127,737**
Total comprehensive loss for the period	-	-	-	(3,388)	-	(66,639)	(70,027)	(31,043)	(101,070)
Issue of shares	18	539	-	-	-	-	557	-	557
Share options exercised	-		-	-	(694)	694	-	-	-
Share based payment charges	-	-	-	-	(222)	-	(222)	-	(222)
Lapsed warrants					(10)	10			
Investment in non-redeemable preference shares of Kropz Elandsfontein	-	-	-	-	-	(5,411)	(5,411)	5,411	-
Transactions with owners	**18**	**539**	**-**	**-**	**(926)**	**(4,707)**	**(5,076)**	**5,411**	**335**
Balance at 31 December 2022	**1,212**	**194,063**	**(20,523)**	**(11,195)**	**271**	**(116,972)**	**46,856**	**(19,854)**	**27,002**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023

	Twelve months ended 31 December 2023 Unaudited US$'000	Twelve months ended 31 December 2022 Audited US$'000
Cash flows from operating activities		
Loss before taxation	**(13,527)**	(97,222)
Adjustments for:		
Depreciation of property, plant and equipment	**730**	821
Amortisation of right-of-use assets	**-**	5
Impairment losses	**-**	92,661
Share-based payment	**40**	(222)
Interest income	**(201)**	(136)
Interest expense	**13,474**	6,496
Fair value gain from derivative liability	**(15,942)**	(10,807)
Debt Modification Present value adjustment	**(104)**	(233)
Foreign currency exchange differences	**2,431**	3,550
Fair value (gain) / loss on game animals	**(24)**	21
Operating cash flows before working capital changes	**(13,123)**	**(5,066)**
Decrease / (Increase) in trade and other receivables	**(1,349)**	(471)
Increase in inventories	**(4,008)**	(3,453)
Increase / (Decrease) in payables	**2,362**	(172)
Net cash flows used in operating activities	**(16,118)**	**(9,162)**
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(4,374)**	(29,215)
Exploration and evaluation expenditure	**(330)**	(346)
Other financial asset	**(511)**	427
Interest received	**201**	136
Transfers from restricted cash	**-**	4,727
Net cash flows used in investing activities	**(5,014)**	**(24,271)**
Cash flows from financing activities		
Finance cost paid	**(2,399)**	(2,586)
Shareholder loan received	**40,609**	38,727
Repayment of lease liabilities	**-**	(6)
Repayment of Other financial liabilities	**(15,040)**	(3,712)
Issue of ordinary share capital	**-**	557
Net cash flows from financing activities	**23,170**	**32,980**
Net increase / (decrease) in cash and cash equivalents	**2,038**	**(453)**
Cash and cash equivalents at beginning of the period	**2,120**	2,461
Foreign currency exchange (losses) / gains on cash	**(1,150)**	112
Cash and cash equivalents at end of the period	**3,008**	**2,120**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023**

1. General information

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

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

2. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the AIM rules and in accordance with the accounting policies of the consolidated financial statements for the year ended 31 December 2022. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report. The statutory financial statements for the year ended 31 December 2022 were prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under the International Financial Reporting Standards ("IFRS").

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

During the period, the Group changed its accounting reference date to March and consequently will report again for the 15-month period ending 31 March 2024

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

The interim financial information was approved and authorised for issue by the Board of Directors on 28 March 2024.

3. Going concern

During the twelve months ended 31 December 2023, the Group incurred a loss of US$ 16 million (twelve months ended 31 December 2022: US$97.8 million) and experienced net cash outflows from operating activities. Cash and cash equivalents totaled US$ 3 million as at 31 December 2023 (31 December 2022: US$ 2.1 million).

Elandsfontein is currently the Group's only source of operating revenue. As Elandsfontein is still in process of ramping up production an operating loss is also expected in the full year 31 March 2024. The Group is consequently dependent on future fundraisings to meet any production costs, overheads, future development and exploration requirements and quarterly repayments on the BNP loan that cannot be met from existing cash resources and sales revenue in ramp-up phase.

The going concern assessment was performed using the Group's 15-month forecast. The Group's forecast cash flows are largely driven by Elandsfontein and are in line with the 31 December 2022 going concern assessment. The Elandsfontein Life of Mine plan ("LOM" or "mine plan") used for the going concern assessment only considers resources classified as measured and indicated, excluding any inferred resources, as per the updated Mineral Resource Estimate ("MRE") as announced on 10 January 2023. As mining activities and further drilling work progress, Elandsfontein expects to reclassify more of the resources from inferred to either measured and indicated. An updated Mineral Resource Estimate is underway and the results of the updated Mineral Resource Estimate is expected during the second quarter of 2024.

Elandsfontein's forecast cashflows were estimated using market-based commodity prices, exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements over a 15-month period.

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

The 15-month forecast assumes a refinancing by June 2024 to repay the BNP loan facility and provide working capital. There is no guarantee that the refinancing can be raised.

Phosphate rock prices and grade: Forecast phosphate rock prices are based on management's estimates of quality of production. The forecast selling prices are derived from forward price curves and long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources.

A total of 262,703 tonnes of phosphate concentrate trial sales were achieved in the 12 months ending 31 December 2023 from Kropz Elandsfontein. Elandsfontein is a new entrant to the phosphate market and has to date produced variable grade. As a result, Elandsfontein has sold its shipments at a discount to prevailing market prices., Elandsfontein has managed to achieve better prices in the market as quality and market reputation improves and expects this trend to continue of the forecast period. The cashflow model assumes a discount to the prevailing market price for 31% P_2O_5 phosphate concentrate for the period up to December 2024 largely due to variability in the grade of Elandsfontein's product being produced during its ramp-up phase and considering that Elandsfontein is a new market entrant. The mine plan forecasts market related prices for all shipments from the end of 2024. The ability to achieve market rates on sales is largely dependent on Elandsfontein's ability to consistently produce 31% P_2O_5 concentrate. Failing this, the Group may continue to suffer a discount to market rates.

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

Estimated production volumes are subject to significant uncertainty given the ongoing ramp up. The actual trial production volumes achieved in 2023 were below forecast. The production ramp-up has been delayed largely by the need to re-engineer parts of the fine flotation circuit proposed by the vendor. Mining and processing have also been affected by early unpredicted ore variability, wet mining conditions and lack of operator experience. The Company is in the process of analyzing the hard bank and other challenging ore variants within the ore body to identify the appropriate method of mining and processing to extract phosphate. The Western Cape has experienced unprecedented rain this season which has led to severely wet mining conditions during the period under review which has hindered ore delivery to the plant and concentrate production during the year. This is being addressed by increased in-pit drainage. Production throughput is also being limited by the nature and excessive amount of slimes material encountered in the ore deposit. The Company is investing in new equipment to improve Elandsfontein's ability to handle the slimes material and aims to increase production throughput by more than 40% following its commissioning.

Reserves and resources: The LOM plan used for the going concern assessment only includes the measured and indicated resources as defined in the MRE. Excluding inferred resources limits the forecast production to only around 4 years. There was a significant reduction in the measured and indicated resource in the MRE issued in January 2023 as set out in the Strategic report in the Annual Report for the year ended 31 December 2022. As drilling operations continue, and confidence improves, Management expects more of the total resource will be reclassified to measured and indicated.

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

Operating cost: Operating costs are estimated with reference to contractual and actual current costs adjusted for inflation. Key operating cost estimates are mine and plant operating costs and transportation and port costs. The forecast mine and plant costs were based on the contracted rates with the current mine and plant operators. Production cost per tonne currently is higher than sales per tonne as full production volumes have not been reached to date, leading to a gross loss per tonne. The forecast assumes that as production volumes increase the average cost per tonne of phosphate will decrease with economies of scale and further efficiency gains.

Transportation costs: Port authorities in South Africa have informed the Group that it may have to export some of Elandsfontein’s shipments through the port of Cape Town in 2023 and 2024 instead of through the port of Saldanha, which would lead to a higher transportation cost. The transportation costs in the cashflows assume that 10% of 2024 shipments will be through Cape Town at the higher logistic cost. To date, all sales have been exported through the port of Saldanha Bay. As production is still ramping up and the port access agreement with Transnet has not yet been formally concluded, the actual operating costs may be higher than the estimates in the discounted cash flows.

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

The ARC Fund, on various occasions in the past, provided funding to support the Group’s operations. In March 2023, Kropz, Kropz Elandsfontein and the ARC Fund agreed to further ZAR 285 million (approximately US$ 15.5 million) bridge loan facilities to meet immediate cash requirements at Kropz Elandsfontein. In September 2023, Kropz Elandsfontein and the ARC Fund signed a further ZAR 250 million (approximately US$ 13.2 million) bridge loan facility to meet immediate cash requirements. In December 2023, Kropz Elandsfontein and the ARC Fund signed a further ZAR 115 million (approximately US$ 6 million) bridge loan facility to meet immediate cash requirements. In March 2024, Kropz Elandsfontein and the ARC Fund signed a further ZAR 170 million (approximately US$ 9 million) bridge loan facility to meet immediate cash requirements. Management has confirmed with the ARC Fund that they have no intention to call any outstanding loans for cash repayment over the next 12-months.

Management engages frequently with BNP regarding the capital repayment and refinancing of the BNP debt facility. The Company did not reach project completion as stipulated in the BNP facility agreement by 31 December 2022. Considering the delay in achieving sales, the Company also failed to fund the debt service reserve account as required. BNP have, to date, waived these requirements, preventing the Company from falling into default of its loan terms.

At the end of the waiver period, BNP has the contractual right to request the immediate repayment of the outstanding loan amount of US$ 11,250,000. BNP has indicated their willingness to extend the waivers from 31 March 2024 to June 2024. Kropz Elandsfontein has made all the capital and interest payments to BNP as required to the date of this report.

Based on the current cashflow forecast prepared based on the January 2023 MRE additional funding will be required over the 15-month forecast period.

Given that BNP Paribas is exiting South Africa, the Group was unable to refinance the existing loan with them. At the date of this report, the Company is in continued discussions with a number of potential lenders to provide the required funding to repay the BNP debt facility and provide working capital. The discussions have extended over several months being a lengthy process and technical in nature.

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

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

As there can be no guarantee that the required future funding can be raised in the necessary timeframe, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

4. Significant accounting policies

The Company has applied the same accounting policies, presentation, methods of computation, significant judgements and the key sources of estimation uncertainties in its interim consolidated financial statements as in its audited financial statements for the year ended 31 December 2022, except for the following amendments and revenue recognition and production start date which apply for the first time in 2023. However, none of the recent amendments to IFRS are expected to materially impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

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

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes).

5. Revenue recognition

The Group is principally engaged in the business of producing phosphate concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The Group has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

6. Production start date

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

Some of the criteria used to identify the production start date include, but are not limited to:

- The percentage grade (phosphate concentrate) and volume of ore being mined is sufficiently economic and consistent with the plant design specifications;
- Ability to produce phosphate in saleable form (within specifications); and
- Ability to sustain ongoing production of phosphate.

When the mine moves into the steady state production, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for the costs that qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. It is also at this point that depreciation/amortisation commences. Refer note 8.

7. Segmental information

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

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

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

31 December 2023	**Revenues US$'000**	**Non-Current Assets US$'000**
South Africa	**30,246**	**69,571**
Republic of Congo	**-**	**44,360**
	30,246	**113,931**

31 December 2022	**Revenues US$'000**	**Non-Current Assets US$'000**
South Africa	**-**	69,795
Republic of Congo	**-**	42,415
	-	**112,240**

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

	31 Dec 2023 Cost US$'000	**31 Dec 2023 Accumulated depreciation and impairment US$'000**	**31 Dec 2023 Carrying value US$'000**	**31 Dec 2022 Cost US$'000**	**31 Dec 2022 Accumulated depreciation and impairment US$'000**	**31 Dec 2022 Carrying value US$'000**
Buildings and infrastructure						
Land	**1,319**	**(795)**	**524**	1,418	(795)	623
Buildings	**9,548**	**(5,208)**	**4,0**	9,840	(5,597)	4,243
Capitalised road costs	**7,070**	**(5,763)**	**1,307**	7,600	(5,709)	1,891
Capitalised electrical sub-station costs	**3,067**	**(2,470)**	**597**	3,297	(2,445)	852
Machinery, plant and equipment						
Critical spare parts	**1,907**	**(924)**	**983**	1,786	(1,002)	784
Plant and machinery	**89,967**	**(49,322)**	**40,645**	95,061	(53,486)	41,575
Water treatment plant	**2,517**	**(1,207)**	**1,310**	2,333	(1,308)	1,025
Furniture and fittings	**52**	**(41)**	**11**	56	(41)	15
Geological equipment	**74**	**(52)**	**22**	79	(48)	31
Office equipment	**28**	**(28)**	**-**	30	(28)	2

Other fixed assets	**1**	**(1)**	**-**	1	(1)	-
Motor vehicles	**90**	**(72)**	**18**	93	(93)	-
Computer equipment	**79**	**(58)**	**21**	79	(45)	34
Mine development	**17,985**	**(9,016)**	**8,969**	17,724	(9,788)	7,936
Stripping activity costs	**21,056**	**(11,514)**	**9,542**	22,257	(12,485)	9,772
Game animals	**194**	**-**	**194**	182	-	182
Total	**154,954**	**(86,471)**	**68,483**	161,836	(92,871)	68,965

Reconciliation of property, plant, equipment and mine development – Period ended 31 December 2023

	Opening Balance US$'000	Additions US$'000	Fair value gain US$'000	Deprecia-tion charge US$'000	Foreign exchange loss US$'000	Closing balance US$'000
Buildings and infrastructure						
Land	**623**	**-**	**-**	**-**	**(99)**	**524**
Buildings	**4,243**	**392**	**-**	**(29)**	**(266)**	**4,340**
Capitalised road costs	**1,891**	**-**	**-**	**(474)**	**(110)**	**1,307**
Capitalised electrical sub-station costs	**852**	**-**	**-**	**(201)**	**(54)**	**597**
Machinery, plant and equipment						
Critical spare parts	**784**	**243**	**-**	**-**	**(44)**	**983**
Plant and machinery	**41,575**	**1,349**	**-**	**(3)**	**(2,276)**	**40,645**
Water treatment plant	**1,025**	**345**	**-**	**-**	**(60)**	**1,310**
Furniture and fittings	**15**	**-**	**-**	**(3)**	**(1)**	**11**
Geological equipment	**31**	**-**	**-**	**(7)**	**(2)**	**22**
Office equipment	**2**	**-**	**-**	**(2)**	**-**	**-**
Other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**
Motor vehicles	**-**	**19**	**-**	**(1)**	**-**	**18**
Computer equipment	**34**	**5**	**-**	**(16)**	**(2)**	**21**
Mine development	**7,936**	**1,485**	**-**	**-**	**(452)**	**8,969**
Stripping activity costs	**9,772**	**349**	**-**	**-**	**(579)**	**9,542**
Game animals	**182**	**-**	**24**	**-**	**(12)**	**194**
Total	**68,965**	**4,187**	**24**	**(736)**	**(3,957)**	**68,483**

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

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

Kropz Elandsfontein has a fully drawn down project financing facility with BNP Paribas for US$ 30 million, outstanding balance as at 31 December 2023: $11 250 000 (see Note 11). BNP has an extensive security package over all the assets of Kropz Elandsfontein and Elandsfontein Land Holdings (Pty) Ltd ("Elandsfontein Land Holdings") as well as the share investments in those respective companies owned by Kropz SA (Pty) Ltd ("Kropz SA").

9. Intangible assets - exploration and evaluation costs

	31 December 2023 US$'000	31 December 2022 US$'000
Capitalised exploration costs		
Cost	**44,133**	42,415
Amortisation	**-**	-
Carrying value	**44,133**	**42,415**

Reconciliation of exploration assets

	Opening Balance US$'000	Additions US$'000	Disposals US$'000	Foreign exchange Gain US$'000	Closing balance US$'000
Period ended 31 December 2023					
Capitalised exploration costs	**42,415**	**347**	**-**	**1,371**	**44,133**

Reconciliation of exploration assets

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

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 full scale production has commenced.

Where assets are dedicated to a mine, the useful lives are subject to the lesser of the asset category's useful life and the life of the mine, unless those assets are readily transferable to another productive mine. In accordance with the requirements of IFRS 6, the Board of Directors assessed whether there were any indicators of impairment. No indicators were identified (refer to Note 16).

10. Shareholder loans and derivative liability

	31 December 2023 US$'000	31 December 2022 US$'000
Shareholder loans – ARC Fund	**18,441**	17,010
Demand Loan facility – ARC Fund	**35,106**	-
Convertible debt – ARC Fund	**26,006**	15,055
Derivative liability	**10,994**	23,037
	90,547	**55,102**
Maturity		
Non-current	**18,441**	55,102
Current	**72,106**	-
Total	**90,547**	**55,102**

Shareholder loans - ARC Fund
The loans are: (i) US$ denominated, but any repayments will be made in ZAR at the then prevailing ZAR/US$ exchange rate; (ii) carry interest at monthly LIBOR plus 3%; and (iii) are repayable by no later than 1 January 2035 (or such earlier date as agreed between the parties to the shareholder agreements).

Demand Loan facility – ARC Fund
The loans are unsecured, repayable on demand, and interest accruing at SA prime overdraft rate plus 6%, if not repaid within 6 months from first utilisation date rate increases by 2%. ARC have no intention to call any outstanding loans over the next 12 months for cash repayment.

Convertible debt – ARC Fund
On 20 October 2021, the Company entered into a new convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility") with ARC, the Company's major shareholder. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 200 Million Equity Facility, repayment of the ZAR 200 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into ordinary shares of 0.1 pence each ("Ordinary Shares") in the Company and issued to ARC, at a conversion price of 4.5058 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 September 2021, and at fixed exchange rate of GBP 1 = ZAR 20.24 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 200 Million Equity Facility which is 27 October 2026. The ZAR 200 Million Equity Facility is fully drawn at the date of this report.

As announced on 11 May 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 177 million ("ZAR 177 Million Equity Facility") with ARC. Interest is payable at 14% nominal, compounded monthly. At any time during the term of the ZAR 177 Million Equity Facility, repayment of the ZAR 177 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 9.256 pence per Ordinary Share each, representing the 30-day Volume

Weighted Average Price ("VWAP") on 4 May 2022, and at fixed exchange rate of ZAR 1 = GBP 0.0504 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 177 Million Equity Facility which is 2 June 2027. The ZAR 177 Million Equity Facility is fully drawn at the date of this report.

As announced on 14 November 2022, the Company entered into a new conditional convertible equity facility of up to ZAR 550 million ("ZAR 550 Million Equity Facility") with ARC. Interest is payable at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. At any time during the term of the ZAR 550 Million Equity Facility, repayment of the ZAR 550 Million Equity Facility capital amount will, at the election of ARC, either be in the form of the conversion into Ordinary Shares in the Company and issued to ARC, at a conversion price of 4.579 pence per Ordinary Share each, representing the 30-day Volume Weighted Average Price ("VWAP") on 21 October 2022 and at fixed exchange rate of ZAR 1 = GBP 0.048824 ("Conversion"), or payable in cash by the Company at the end of the term of the ZAR 550 Million Equity Facility which is 30 November 2027. The Company drew down a further ZAR 107.5 million during the 12-month period and is fully drawn as at 31 December 2023.

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

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

11. Other financial liabilities

	31 December 2023 US$'000	31 December 2022 US$'000
BNP Paribas ("BNP")	**11,269**	26,298
Greenheart Foundation	**474**	510
Total	**11,743**	**26,808**

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

In May 2020, Kropz Elandsfontein and BNP Paribas agreed to amend and restate the term loan facility agreement entered into on or about 13 September 2016 (as amended from time to time). The BNP Paribas facility amendment agreement extends inter alia the final capital repayment date to Q3 2024, with eight equal capital repayments to commence in Q4 2022 and an interest rate of 6.5% plus LIBOR, up to project completion and 4.5% plus LIBOR thereafter.

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

The BNP loan is subject to covenant clauses. Kropz Elandsfontein did not reach project completion as stipulated in the agreement to be 31 December 2022 and failed to fund the Debt Service Reserve Account, however BNP Paribas has provided, a waiver to 31 March 2024. The outstanding balance is therefore presented as a current liability.

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

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

12. Revenue

	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Sales to region/country		
South Africa	**1,840**	-
Australia	**5,414**	-
Brazil	**4,869**	-
New Zealand	**1,942**	-
South Korea	**16,181**	-
	30,246	**-**
Timing of transfer of Goods		
Delivery to port of departure	**30,246**	-
	30,246	**-**

All 2023 revenue from phosphate is trial revenue. All 2023 revenue from phosphate is recognised at a point in time when control transfers.

13. Finance income

	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Interest income	**201**	136
Total	**201**	**136**

14. Finance expense

	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Shareholder loans	**10,862**	3,407
Foreign exchange losses	**2,431**	3,550
Bank debt	**2,380**	2,576
BNP Paribas – Debt modification present value adjustment amortisation	**(207)**	(233)
BNP Paribas amendment fee amortisation	**181**	205
Other	**154**	307
Total	**15,801**	**9,812**

15. Fair value gain / (loss) from derivative liability

	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Fair value gain from derivative liability	**15,942**	10,807
Total	**15,942**	**10,807**

The Company has entered into three convertible equity facilities with the ARC Fund. On 20 October 2021, the Company entered into the first a convertible equity facility of up to ZAR 200 million ("ZAR 200 Million Equity Facility"). The second convertible equity facility was entered into on 11 May 2022 of up to ZAR 177 million ("ZAR 177 Million Equity Facility"). On 14 November 2022, the Company entered into its third conditional convertible equity facility of up to ZAR 550 million ("ZAR 550 Million Equity Facility.") (refer to Note 10).

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

16. Impairment losses

The following impairment loss was recognised in the twelve-month period ended 31 December 2023:

	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Property, plant, equipment and mine development assets	**-**	91,650
Inventory		1,011
Total	**-**	**92,661**

An impairment assessment was performed and it was determined that there were no indicators of impairment or indicators of reversal of impairment in the period and therefore no adjustment to the impairment provision for the period to 31 December 2023 is required. The impairment loss for the period to 31 December 2022 was recognised in relation to the Elandsfontein mine. The triggers for the impairment test were primarily related to the hard bank that was encountered in the pit, which necessitated further drilling and the effect of changes to the mine plan resulting from the updated MRE and downgrading of the measured and indicated resource. An updated Mineral Resource Estimate is underway and the results of the update are expected during the second quarter of 2024. More detail was provided in Note 25 of the 2022 Annual Report.

17. Taxation

Major components of tax charge	Twelve months ended 31 December 2023 US$'000	Twelve months ended 31 December 2022 US$'000
Deferred		
Originating and reversing temporary differences	**-**	-
Current tax		

UK tax in respect of the current period	**-**	(602)
Total	**-**	**(602)**

The Group had losses for tax purposes of approximately US$ 70.9 million (31 December 2022: US$ 57.5 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A net deferred tax asset arising from these losses has not been recognised as steady state production has not been reached and therefore the reversal of any potential deferred tax asset remains uncertain.

18. Earnings per share

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

	Twelve months ended 31 December 2023 US$'000	**Twelve months ended 31 December 2022 US$'000**
Profit / (Loss) attributable to ordinary shareholders	**(4,163)**	(66,639)
Weighted average number of ordinary shares in Kropz plc	**926,718,223**	921,908,785
Basic and diluted profit / (loss) per share (US cents)	**(0.45)**	**(7.23)**

19. Related party transactions

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

Related party balances
Loan accounts – Owed to related parties

	31 December 2023 US$'000	**31 December 2022 US$'000**
Shareholder loans – ARC Fund	**18,441**	17,010
Demand Loan facility – ARC Fund	**35,106**	-
Convertible debt – ARC Fund	**26,006**	15,055
Derivative liability	**10,994**	23,037
Greenheart Foundation	**474**	510
Total	**91,021**	**55,612**

Related party balances
Interest accrued to related parties

	Twelve months ended 31 December 2023 US$'000	**Twelve months ended 31 December 2022 US$'000**
ARC Fund	**10,862**	3,407
Total	**10,862**	**3,407**

20. Seasonality of the Group's business

With the unexpected record rainfall experienced in the Western Cape the mining plan was amended to consider higher rainfall in winter periods to minimise the effects of wet mining conditions. There are no other seasonal factors which materially affect the operations of any company in the Group.

21. Fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 31 December 2023.

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

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

	As at 31 December 2023		**As at 31 December 2022**	
	Carrying amount US$'000	**Fair value US$'000**	**Carrying amount US$'000**	**Fair value US$'000**
Financial Assets				
Other financial assets	**1,315**	**1,315**	860	860
Total	**1,315**	**1,315**	**860**	**860**
Financial Liabilities				
Shareholder loans	**79,553**	**79,553**	32,065	32,065
Derivative liability	**10,994**	**10,994**	23,037	23,037
Other financial liabilities	**11,743**	**11,753**	26,808	26,808
Total	**102,290**	**102,290**	**81,910**	**81,910**

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

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

(ii) Fair value hierarchy
The fair value hierarchy consists of the following levels

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

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
31 December 2023				
Derivative liability	-	-	**10,994**	**10,994**
31 December 2022				
Derivative liability	-	-	23,037	**23,037**

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

(iii) Reconciliation: Level 3 fair value measurement

	Twelve months ended 31 December 2023 US$'000	Year ended 31 December 2022 US$'000
Derivative liability		
Opening balance	**(23,037)**	(2,656)
Fair value at initial recognition	**(3,089)**	(31,852)
Fair value gain recognised in profit and loss	**15,942**	10,807
Foreign exchange	**(810)**	664
Closing balance	**(10,994)**	**(23,037)**

(iv) Valuation technique used to determine fair value
Derivative liability:
The fair value is calculated with reference to market rates using industry valuation techniques and appropriate models from a third-party provider. The Monte-Carlo model utilised includes a high level of complexity and the main inputs are share price volatility, risk margin, foreign exchange volatility and UK risk-free rate. A number of factors are considered in determining these inputs, including assessing historical experience but also considering future expectations. The determined fair value of the option is multiplied by the number of shares available for issue pursuant to the ZAR 200 Million Equity Facility, ZAR 177 Million Equity Facility and the ZAR 550 Million Equity Facility (refer to Note 10).

Valuation results (as at 31 December 2023)

Facility	Total loan amount (ZAR)	Value per share (p)	Number of Shares	Total Value (GBP)
ZAR200m facility	200,000,000	1.18	219,272,938	1,627,431
ZAR177m facility	177,000,000	0.65	96,378,566	496,895
ZAR550m facility	550,000,000	1.51	586,442,455	6,510.899
Total			**902,093,959**	**8,635,225**

Sensitivity Valuation results (as at 31 December 2023) - Volatility

Facility	Base volatility assumption	Total Value (GBP) - 75% historical volatility (66%)	Total Value (GBP) - 50% historical volatility (44%)
ZAR200m facility	87%	729,265	151,877
ZAR177m facility	87%	150,519	11,482
ZAR550m facility	87%	2,982,464	724,776
Total		**3,861,249**	**888,134**

Sensitivity Valuation results (as at 31 December 2023) - Risk Margin

Facility	Base risk margin assumption	Total Value (GBP) - 7% risk margin	Total Value (GBP) - 3% risk margin
ZAR200m facility	5%	1,632,349	1,622,282
ZAR177m facility	5%	498,586	495,113
ZAR550m facility	5%	6,538,094	6,482205
Total		**8,669,029**	**8,599,600**

Sensitivity Valuation results (as at 31 December 2023) - FX volatility

Facility	Base FX volatility	Total Value (GBP) - 20% FX volatility	Total Value (GBP) - 10% FX volatility
ZAR200m facility	14%	1,481,814	1,722,048
ZAR177m facility	14%	432,128	540,193
ZAR550m facility	14%	5,983,992	6,851,592

Total		7,897,934	9,113,833

Sensitivity Valuation results (as at 31 December 2023) - UK risk-free rate

Facility	Base UK risk-free rate	Total Value (GBP) - UK rf + 2%	Total Value (GBP) - UK rf -2%
ZAR200m facility	3.9%	1,544,596	1,714,784
ZAR177m facility	3.9%	466,130	529,665
zAR550m facility	3.9%	6,082315	6,970,764
Total		**8,093,041**	**9,215,213**

22. Events after the reporting period

Further shipments and sales of 33,000 tonnes of phosphate concentrate from Kropz Elandsfontein were recorded in January 2024, 8,000 tonnes in February 2024 and a further 36,000 tonnes in March 2024.

The second and final drawdown on the ZAR 115 million bridging facility of ZAR 52.50 million was made on 17 January 2024.

As announced on 27 March 2024, Kropz, Kropz Elandsfontein and ARC Fund agreed to further ZAR 170 million (approximately US$ 9 million) bridge loan facilities ("Loan 4") to meet immediate cash requirements at Kropz Elandsfontein. The loan is unsecured, repayable on demand, with no fixed repayment terms and is repayable by Kropz Elandsfontein on no less than two business days' notice. Interest is payable on the Loan at the South African prime overdraft interest rate plus 6%, nominal per annum and compounded monthly. In the event that any amounts outstanding under the Loan, together with interest thereon, is not repaid within 6 months from the first utilisation date, the interest rate will be increased by an additional 2%.

Company information

Directors
Lord Robin William Renwick of Clifton, Non-executive Chairman
Louis Ronald Loubser, Chief Executive Officer
Michael (Mike) John Nunn, Non-executive Director
Gerrit Jacobus Duminy, Non-executive Director
Michael (Mike) Albert Daigle, Independent Non-executive Director
Linda Janice Beal, Independent Non-executive Director

Company secretary
Fusion Corporate Secretarial Service (Pty) Ltd

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