

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

26 February 2021

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

### **New Convertible Facility Agreement**

Kropz Plc (AIM: KRPZ), an emerging African phosphate explorer and developer, announces it has entered into a new conditional convertible equity facility of up to US\$ 5 million ("**New Equity Facility**"), with ARC Fund ("ARC"), the Company's major shareholder, in order to fund the ongoing work at the Company's Hinda phosphate project ("**Hinda**"), located in the Republic of the Congo ("**RoC**").

The US\$ 5 million facility is in addition to the US\$ 40 million facility which ARC and the Company entered into in May 2020 ("**Existing Equity Facility**").

#### **New Equity Facility Highlights**

- The New Equity Facility commitment of up to US\$ 5 million provided by ARC, which can be drawn down at the discretion of Kropz;
- This further financing is within the authorisation limits given at the last AGM in August 2020 and has received the relevant consent from the South African Reserve Bank ("**SARB**");
- Repayment of the New Equity Facility and any interest thereon will be in the form of conversion into ordinary shares in the Company and issued to ARC, at a conversion price of 4.202 pence per Ordinary Share ("**Equity Facility Shares**") each quarter, and any US\$ amount will be converted to GBP at an agreed rate of US\$ 1=GBP 0.73; and,
- First draw-down expected on 10 March 2021 for US\$ 2 million with conversion into Equity Facility Shares expected to take place immediately, and every quarter thereafter.

#### **Further details on the New Equity Facility**

ARC has committed to providing the unconditional Equity Facility of up to US\$ 5 million (conversion rate is subject to a fixed rate of US\$ 1= 0.73 GBP) to the Company. The Equity Facility will be drawn down on a quarterly basis at the discretion of Kropz (this transaction is within the authorisation limits given at the last AGM in August 2020). The first quarterly drawn down is expected to take place on 10 March 2020 and quarterly thereafter.

The Equity Facility is convertible following a drawdown into newly issued ordinary shares of 0.1 pence each ("**Ordinary Shares**") in the capital of the Company ("**Equity Shares**") at a fixed price of 4.202 pence per Ordinary Share (the "**Conversion Price**") and a fixed exchange rate of US\$ 1= GBP 0.73 at each quarterly draw-down. Following a conversion, the Company will apply for the Equity Shares to be admitted to trading on AIM.

The Equity Facility will bear interest at the aggregate of 6.5 per cent. and one-month LIBOR ("**Interest**") in the event that a conversion does not occur. In certain events of default by the Company or the Company not having sufficient share authorities in place to permit the issue of Ordinary Shares on a conversion, ARC may elect to accelerate repayment of any sums drawn under the New Equity Facility together with accrued interest and a further default rate of interest of 4 per cent., such

that such sums are immediately due and payable. It is the Company's intention to have drawdown and conversion occur together on the quarterly schedule thereafter.

## **Hinda**

As the Company announced on 4 February 2021, Kropz appointed Hatch Africa (Pty) Ltd ("**Hatch**"), a leading global engineering and construction firm, to complete the updated feasibility study ("**Updated FS**") on Hinda. The Updated FS will target a phased approach in line with the terms of the mining investment agreement, with initial production of one million tonnes per annum ("**Mtpa**") of phosphate rock being exported from the existing port facility at Pointe-Noire, which is 50 km from Hinda. A second phase production ramp-up of two Mtpa will also be evaluated with export from a new port site, located north of Pointe-Noire.

## **Related Party Transaction**

The New Equity Facility is a related party transaction ("**Transaction**") pursuant to Rule 13 of the AIM Rules. Machiel Reyneke is a director of the Company and the representative of ARC. Further, as noted below, ARC and Kropz International are treated as acting in concert for the purposes of the City Code on Takeovers and Mergers (the "**Code**") and have individual and aggregate interests in the Ordinary Shares as set out above. Mike Nunn, a director of the Company, is the beneficial owner of Kropz International. Accordingly, Mr Reyneke and Mr Nunn have not been involved in the approval of the Transaction by the Company's board.

The directors of the Company who are considered independent for the purposes of the Transaction (being the directors excluding Mr Reyneke and Mr Nunn), having consulted with the Company's nominated adviser, consider the terms of the Transaction to be fair and reasonable insofar as the Company's shareholders are concerned.

## **Draw Down**

As noted above, the Company will be making the first draw down request under the New Equity Facility on or around 10 March 2021. Further details of this draw down, as well as the fourth quarterly draw down request under the Existing Equity Facility, will be made in a separate announcement in due course.

The subsequent draw downs under the Existing and New Equity Facilities are expected to be made on or about 10 June 2021 and quarterly thereafter, in line with the terms of the Equity Facilities.

## **Concert Parties and Impact on Shareholdings**

As noted in the Company's AIM admission document, ARC and Kropz International are treated as acting in concert for the purposes of the Code and have individual and aggregate interests in the Ordinary Shares as set out in the table below. It is noted that, both before and after the closing of the Existing and the New Equity Facilities, on an aggregate basis, ARC and Kropz International hold and will continue to hold more than 50 per cent. of the Ordinary Shares and voting rights in the Company. On a standalone basis ARC, through its option with Kropz International, currently has a fully diluted interest of 86.5 per cent. of the Company (see footnote 3 below).]

## **Maximum Interests in Ordinary Shares<sup>(1)</sup>**

<b>Existing ordinary shares</b>	<b>Maximum no. of further shares to be issued pursuant to</b>	<b>Maximum shareholdings following Original</b>
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			Original and New Equity Facilities <sup>(1)</sup>	and New Equity Facilities <sup>(1)</sup>	
	No.	%	No.	No.	%
ARC <sup>(2)</sup>	409,948,665	73.4	354,418,954	764,367,619	83.7
Kropz International S.a.r.l <sup>(2)(3)</sup>	54,933,474	9.8	0	54,933,474	6.0
<b>Concert Party</b>	<b>464,882,139</b>	<b>83.2</b>	<b>354,418,954</b>	<b>819,301,093</b>	<b>89.7</b>

(1) Assumes for illustrative purposes that the Existing and New Equity Facility is fully drawn.

(2) ARC and Kropz International are deemed to be acting in concert as defined in the Code.

(3) Kropz International and ARC have entered into an arrangement pursuant to which Kropz International has granted to ARC a call option over 50 per cent. of its shareholding. The call option over Kropz International's Ordinary Shares can be exercised by ARC if the value of ARC's shareholding on the third anniversary of Admission is 20 per cent. lower than its value on IPO on 30 November 2018. The call option has an alternative settlement of cash or assets, if the transfer of the Ordinary Shares would require the transferee to make a Rule 9 offer for the Company pursuant to the City Code.

(4) Mike Nunn, a director of Kropz, holds his beneficial interest in Kropz through Kropz International.

(5) Exchange rates used are fixed at US\$ 1= GBP 0.73 for the New Equity Facility and US\$ 1= GBP 0.86 for the Existing Equity Facility.

For further information visit [www.kropz.com](http://www.kropz.com) or contact:

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#### **About Kropz Plc**

Kropz is an emerging African phosphate explorer and developer, with an advanced stage phosphate mining project in South Africa and a phosphate project in the Republic of Congo. The vision of the

Group is to become a leading independent phosphate rock producer and to develop into an integrated, mine-to-market plant nutrient company focusing on sub-Saharan Africa.

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