

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

11 May 2022

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

New Convertible Facility Agreement

and

General Meeting Notice

Kropz Plc (AIM: KRPZ), an emerging African phosphate producer and developer, announces it has entered into a new conditional convertible equity facility of up to ZAR 177 million (approximately US\$11 million) ("**ZAR 177 Million Equity Facility**"), with the ARC Fund ("**ARC**"), the Company's major shareholder, to fund the Company's Elandsfontein phosphate project to first revenues from bulk concentrate sales.

As announced on 27 April 2022, Kropz and ARC entered into a ZAR 25 million (approximately US\$ 1.60 million) bridge loan facility (the "**Loan**") to meet cash requirements in April 2022. The Loan will be set-off against the ZAR 177 Million Equity Facility, once approved and unconditional, leaving ZAR 152 million available for drawdown over the term.

As set out in the announcement on 27 April 2022, the Company faces a funding shortfall of approximately US\$ 11 million (approximately ZAR 177 million) comprising the ZAR 25 million cash requirement for April 2022 and an additional ZAR 152 million required to deliver the Company's Elandsfontein phosphate project to first revenues from bulk concentrate sales. The shortfall is due to slower than expected progress in the ramp up of operations at Kropz Elandsfontein (Pty) Ltd ("**Kropz Elandsfontein**"), resulting in delays in the production of sufficient phosphate rock concentrate required for the first bulk sales. Kropz Elandsfontein is now expected to achieve its first significant revenues in late Q2. The delay in commissioning was largely driven by the need to re-engineer parts of the fine flotation circuit proposed by the vendor, but further exacerbated by early unpredicted ore variability and lack of operator experience.

The ZAR 177 Million Equity Facility is in addition to the ZAR 200 million facility, which ARC and the Company entered into in February 2021 ("**ZAR 200 Million Equity Facility**"). The ZAR 200 Million Equity Facility has been fully drawn down, with the last remaining ZAR 33 million drawn on 26 April 2022.

ZAR 177 Million Equity Facility Highlights

- The ZAR 177 Million Equity Facility comprises a total commitment of up to ZAR 177 million provided by ARC, which can be drawn down following a written request from Kropz and at the discretion of ARC;
- 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 of 0.1 pence each (“**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 a fixed exchange rate of ZAR 1 = GBP 0.0504 (“**Conversion**”); or
- Payable in cash by the Company;
- The first drawdown is expected on or around 30 May 2022;
- Following a Conversion, the Company will apply for the newly issued Ordinary Shares in the capital of the Company to be admitted to trading on AIM;
- The ZAR 177 Million Equity Facility will bear interest at 14 per cent. per annum and will be compounded monthly (“**Interest**”). Interest will be payable in cash to ARC by the Company;
- The term of the ZAR 177 Million Equity Facility will be from the Effective Date to the earlier of:
 - Five years from the Effective Date; or
 - One year after the term loan facility provided by BNP Paribas to Kropz Elandsfontein (in the amount not exceeding US\$ 30 million), has been repaid;
- The ZAR 177 Million Equity Facility will be secured by the shares that Kropz holds in Cominco Resources Ltd (“**Share Charge**”) and is conditional on entering into the Share Charge, which will be entered into before the General Meeting; and
- The ZAR 177 Million Equity Facility will be conditional on:
 - approval from the South African Reserve Bank (“**SARB**”). The SARB application will be lodged imminently and the approval, once received, will be announced via the Regulatory News Service (“**RNS**”); and
 - shareholder approval.

Notice of General Meeting and Irrevocable Undertakings

The ZAR 177 million Equity Facility is above the authorisation limits given at the last Annual General Meeting in June 2021 and is conditional on shareholder approval which is being sought from the Company’s shareholders at a General Meeting to be held in London on 30 May 2022 at the offices of Memery Crystal, 165 Fleet Street, London, EC4A 2DY (“**General Meeting**”).

At the General Meeting, the Company is proposing resolutions to give the Company's directors authority to issue and allot, on a non-pre-emptive basis, shares in the Company to meet the full demand under the ZAR 177 Million Equity Facility if converted (this authority is in addition to the authorities granted at the previous Annual General Meeting).

Shareholders may attend the General Meeting to vote or appoint a proxy or vote online by following the instructions set out in the Notice of General Meeting attached to this announcement. Proxy votes must be received no later than 13:30 on 26 May 2022.

A copy of the Notice of General Meeting and this announcement is being posted to shareholders today and will shortly be available for AIM Rule 26 on the Company's website at www.kropz.com/investors/general-meetings.

The Company has received irrevocable undertakings from the directors in respect of their holdings of 0.3 per cent. of the Company's issued share capital and from shareholders holding 83.65 per cent. of the Company's issued share capital to vote in favour of the resolutions proposed.

Related Party Transaction

The ZAR 177 Million 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 ZAR 177 Million Equity Facility on or around 30 May 2022.

Details of further drawdowns will be made in separate announcements in due course.

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 Further Equity Facility, 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 86.2 per cent. of the Company (see footnote 3 below).

Maximum Interests in Ordinary Shares ⁽¹⁾

	Existing ordinary shares		Maximum no. of further shares to be issued pursuant to the ZAR 200 Million Equity Facility and the ZAR 177 Million Equity Facility ⁽¹⁾	Maximum shareholdings following the ZAR 200 Million Equity Facility and the ZAR 177 Million Equity Facility ⁽¹⁾	
	No.	%	No.	No.	%
ARC ⁽²⁾	768,339,330	83.2	315,651,504	1,083,990,834	87.5
Kropz International S.a.r.l ⁽²⁾⁽³⁾	54,933,474	5.9	0	54,933,474	4.4
Concert Party	823,272,804	89.1	315,651,504	1,138,924,308	91.9

(1) Assumes for illustrative purposes that the ZAR 177 Million Equity Facility is fully drawn and that all capital under the ZAR 177 Million Equity Facility and ZAR 200 Million Equity Facility (which is fully drawn) is converted into equity.

(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 ZAR 1 = GBP 0.0504 for the ZAR 177 Million Equity Facility.

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

Kropz Plc

Mark Summers (CEO)

+27 (0) 79 744 8708

Grant Thornton UK LLP

Samantha Harrison

Harrison Clarke

George Grainger

Ciara Donnelly

Nominated Adviser

+44 (0) 20 7383 5100

Hannam & Partners

Andrew Chubb

Ernest Bell

Broker

+44 (0) 20 7907 8500

Tavistock

Nick Elwes

Jos Simson

Oliver Lamb

Financial PR & IR (UK)

+44 (0) 207 920 3150

kropz@tavistock.co.uk

R&A Strategic Communications

James Duncan

PR (South Africa)

+27 (0) 11 880 3924

james@rasc.co.za

About Kropz Plc

Kropz is an emerging African phosphate producer and developer with projects in South Africa and 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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