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Kropz Plc

Intention to Float on AIM

Kropz Plc, an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa and exploration assets in West Africa, is pleased to announce its intention to seek admission of its entire issued and to be issued share capital to trading on AIM ("Admission") in the second half of 2018.

The vision of the Company is to become a leading independent phosphate rock producer and to develop, over time, into an integrated, mine-to-market plant nutrient company focused on sub-Saharan Africa.

The Company will be seeking admission to AIM in order to raise the funds required to complete the upgrade and commissioning of its flagship Elandsfontein Project ("**Elandsfontein**"), to reduce the Company's current debt position, to develop a wider African asset base and to take advantage of AIM's profile, liquidity and access to a broad institutional investor base. The Directors believe being a publicly traded company will also assist in the achievement of its strategic objectives, which include taking advantage of additional opportunities in the fertilizer supply chain.

Grant Thornton UK LLP is acting as Nominated Adviser and H & P Advisory Limited and Mirabaud Securities Limited are acting as Joint Brokers to the Company.

Key Highlights:

The phosphate market presents a bottom of the cycle opportunity

- Phosphorous is an essential element for all forms of life, and it represents one of the three macro-nutrients required by plants.
- The main driver of phosphate rock demand is the need to boost crop yields and increase global food supplies to feed an expanding world population.
- As a cyclical market, coming off a 10-year low, CRU's analysis predicts that the decline in phosphate rock prices will bottom out in 2018 and will rise in the long term, spurred by escalating population growth, changing global dietary patterns and decreasing arable land resulting in increases in demand and improvements in phosphate fertilizer prices.
- Elandsfontein ore benefits from a low cadmium content (c.5ppm), being one of the few phosphate rock sources readily able to meet the proposed European Union targets.
- Sub-Saharan Africa has the fastest growing population in the world, with food demand expected to triple by 2050, and the regions subsequent fertilizer needs anticipated to rise accordingly.
- Kropz's production is substantially covered by off-take contracts.

Senior management team with extensive operational experience

- An experienced management and executive team capable of leading and growing Kropz to become a major player within the sub-Saharan African plant nutrient sector.
- Management team has a proven track record that includes exploring, developing, operating and consolidating assets on the African continent and disrupting other mature sectors throughout the supply chain, led by CEO, Ian Harebottle, former CEO of AIM quoted Gemfields plc.

A near-term producing asset which has been significantly de-risked with all permits in place

- Kropz's flagship operation is Elandsfontein in South Africa.
- Approximately USD120 million has been invested in Elandsfontein on exploration, bulk sampling, feasibility studies and the subsequent construction of a mine and mineral processing facility and associated infrastructure.
- JORC compliant M, I&I resource of 101Mt at 7.7% P₂O₅
- Probable reserve of 63.6Mt at 9.6% P₂O₅
- Production at Elandsfontein is anticipated to commence in H2 2019, subject to AIM admission and final test work results. Steady state production will exceed of 800,000 tonnes of phosphate rock concentrate with an initial 14-year mine life.

Highly regarded BEE Partner

- African Rainbow Capital ("**ARC**"), a South African based black economic empowerment (BEE) partner and leading investment company with a total intrinsic net asset value of ZAR9,1 billion (USD730 million), as at 31 December 2017.

Strong growth pipeline with exploration prospects in Ghana

- An application has been submitted for an exciting exploration prospect in Ghana that lies on the extension of a quality, historically exploited phosphate resource in neighbouring Togo.
- Potential exists to further extend life of mine at Elandsfontein.
- In addition, Kropz is looking at further acquisitions of assets to increase production.

Competitive cost structure with marketing arrangements in place with well-known off-takers and proximity to local commercial port

- Kropz’s operating cost estimates suggest Elandsfontein is well-positioned to effectively compete with other phosphate rock suppliers in the traded market. Furthermore, Elandsfontein’s advantageous location in proximity to the deep-water port of Saldanha Bay enables it to target demand in both the Atlantic and Indian Ocean markets, with significant freight advantages over North African producers.
- Off-take agreements over a substantial proportion of production are already in place, to supply South Africa, India and the Americas due to highly marketable product.

Ian Harebottle, CEO, commented: *“Phosphorous is an essential, yet non-substitutable and non-recyclable element for all forms of life and a vital ingredient for the downstream fertilizer market and ultimately human survival itself. As the world’s population continues to grow, urbanise and industrialise, farm land per capita decreases, which means that we will need to produce increasing volumes of food from less and less available land, which in turn equates to an increasing reliance on effective plant nutrients.*

Kropz is seeking an IPO on the back of a 10-year low price environment in the phosphate rock market, driven by a limited period of oversupply and weaker demand. We believe the bottom of the market is now behind us, and the recovery in other commodity prices is beginning to be evidenced in the fertilizer market as well, with phosphate rock prices already reaching above USD100/tonne from their recent lows of USD90 per tonne, but they are still significantly down on historical prices achieved.

Subject to successful recommissioning and financing, Kropz will be in production next year, at our Elandsfontein project in South Africa. Kropz intends to become a significant, low cost, phosphate player on the global stage with a London listing creating awareness for the business and access to further capital to realise our goal of becoming the African champion of the sector.”

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Background to the Company

Kropz is an emerging plant nutrient producer with an advanced stage phosphate mining project in South Africa and exploration assets in West Africa. The vision of the Company 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.

Kropz's flagship operation is the Elandsfontein Project, a near-term producing asset in South Africa's Western Cape Province, close to export infrastructure and primed to take advantage of a recovery in phosphate demand and prices.

The Company is currently active in two regions on the African continent, namely South Africa and Ghana, and is reviewing other opportunities. The Directors believe the long-term outlook for fertilizer products is favourable. Fertilizer-based demand will be driven by the need to feed a growing world population, and by constraints on arable land expansion, that will necessitate increased phosphate fertilizer application rates to boost crop yields.

Revenue generation is anticipated by the Directors over the near to mid-term as development and commissioning of the Elandsfontein Project is completed and comes into production. This is further supported by the off-take agreements that are already in place.

Overview of the Phosphate Market

The phosphate rock market has undergone a rapid expansion in the ten-year period to the end of 2017. In that time, the market has expanded by 40% to reach 213 million metric tonnes, driven principally by the rapid development of the Chinese phosphate rock and fertilizer industries.

However, in recent years global phosphate rock and fertilizer supply growth has out-paced demand. This is particularly true in China where a slowdown in domestic phosphate fertilizer demand has tipped its supply-demand balance, transforming the world's largest phosphate fertilizer market from a net importer to the world's leading exporter of phosphate fertilizers. As a result, sharp declines have taken place in both phosphate rock and phosphate fertilizer prices since 2011.

According to a report by CRU, commissioned by Kropz, it is expected that 2018 will represent a turning point in the phosphate rock market. High production costs and tightening environmental restrictions in the Chinese phosphate industry mean that China will be replaced by Morocco and Saudi Arabia as key drivers of supply growth in the phosphate market. This is reflective of the trend in recent years of large, integrated phosphate rock mines and fertilizer production complexes capturing the lion's share of industry growth, while the internationally-traded market between non-integrated producers has remained relatively flat.

2017 was characterised by a significant and sudden uptick in phosphate rock import demand, spurred by the improved cost-competitiveness of non-integrated phosphate fertilizer producers in India and other markets which were partly incentivised by relatively low phosphate rock raw material costs.

CRU forecasts that global phosphate rock import demand will experience a 3.1% compound annual growth rate through to 2035. The Directors believe this will represent an opportunity for non-integrated phosphate rock suppliers, including Kropz.

Aflao, Ghana

First Gear Exploration Limited ("**First Gear Exploration**"), a 50% + 1 share owned subsidiary of the Company, has submitted an application for a prospecting licence and is ready to initiate exploration work to confirm the Company's belief that the phosphate bearing horizons of the Hahotoé-Kpogamé-Kpémé deposit in Togo extend into neighbouring Ghana.

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

Pre-Admission reorganisation

Prior to Admission the Group will undertake a reorganisation of its corporate structure that will result in Kropz Plc becoming the parent company of Kropz SA (Pty) Limited and therefore the ultimate holding company of the operating group and the Elandsfontein Project.

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The information contained in this announcement is for background purposes only and does not purport to be full or complete. Any purchase of shares on Admission should be made solely on the basis of the information contained in the Admission Document. No reliance may or should be placed by any person for any purpose on the information contained in this announcement or its accuracy, fairness or completeness. The information in this announcement is subject to change.

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