



**KORE POTASH PLC**

**ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**

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## CORPORATE DIRECTORY

### **COMPANY REGISTRATION NUMBER**

United Kingdom 10933682

### **NON-EXECUTIVE CHAIRMAN**

David Hathorn

### **CHIEF EXECUTIVE OFFICER**

Brad Sampson

### **JOINT COMPANY SECRETARY**

Henko Vos

St James's Corporate Services Limited

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London Stock Exchange (AIM)  
 Australian Securities Exchange (ASX)  
 Johannesburg Stock Exchange (JSE)

AIM, ASX and JSE Codes: KP2  
 ISIN: GB00BYP2QJ94

### **NON-EXECUTIVE DIRECTORS**

Jonathan Trollip  
 Leonard Math (resigned 28 June 2019)  
 Timothy Keating  
 David Netherway  
 José Antonio Merino

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## GLOSSARY

| Acronym / Term | Stands For / Meaning                                                                                                            | Definition and/or Additional Information                                                                                                                                                                                                                                                                                                                                                                                |
|----------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$             | Denotes USD or United States dollars.                                                                                           | The official currency of the United States of America and its territories, as well as being the functional and presentation currency of the Company and the Group.                                                                                                                                                                                                                                                      |
| 2018 UK Code   | 2018 UK Corporate Governance Code                                                                                               | The UK corporate governance code that came into effect on 1 January 2018 and applies to accounting reference periods commencing on and after 1 January 2019.                                                                                                                                                                                                                                                            |
| AGM            | Annual General Meeting                                                                                                          | The mandatory yearly gathering of the Company's interested shareholders. The latest AGM was held on 28 June 2019.                                                                                                                                                                                                                                                                                                       |
| AIM            | AIM                                                                                                                             | AIM (formerly the Alternative Investment Market) is a sub-market of the LSE.                                                                                                                                                                                                                                                                                                                                            |
| ASX            | Australian Securities Exchange                                                                                                  | The ASX is Australia's primary securities exchange.                                                                                                                                                                                                                                                                                                                                                                     |
| AUD            | Australian dollars                                                                                                              | The official currency of the Commonwealth of Australia.                                                                                                                                                                                                                                                                                                                                                                 |
| Board          | The board of directors of Kore Potash plc                                                                                       | As listed on page 222 of the Annual Report.                                                                                                                                                                                                                                                                                                                                                                             |
| Carnallite     | A rock type comprised predominantly of the potash mineral carnallite (KMgCl <sub>3</sub> ·6H <sub>2</sub> O) and halite (NaCl). | Carnallite may be replaced by the word carnallite for simplicity.                                                                                                                                                                                                                                                                                                                                                       |
| CDIs           | CHESS Depositary Interests                                                                                                      | CDIs are instruments traded on the ASX that allow non-Australian companies to list their shares on the exchange and use the exchange's settlement systems. In the Company's case, one CDI is equivalent to one share traded on the AIM market or on the JSE.                                                                                                                                                            |
| CEO            | Chief Executive Officer                                                                                                         | As listed on page 222 of the Annual Report.                                                                                                                                                                                                                                                                                                                                                                             |
| CFR            | Cost and Freight                                                                                                                | "Cost and Freight" means that the seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. |
| Company        | Kore Potash PLC                                                                                                                 | Kore Potash PLC is public company incorporated and registered in England and Wales (registered number 10933682).                                                                                                                                                                                                                                                                                                        |
| CRU            | Commodity Research Unit                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                         |
| DFS            | Definitive Feasibility Study                                                                                                    | A DFS is an evaluation of a proposed mining project to determine whether the mineral resource can be mined economically.                                                                                                                                                                                                                                                                                                |
| Dougou         | Denotes the Dougou Project                                                                                                      | The Dougou Project (including the Dougou Extension Project) is part of the Sintoukola Potash Project.                                                                                                                                                                                                                                                                                                                   |
| DPM            | Dougou Potash Mining S.A.                                                                                                       | DPM is one of the subsidiaries of SPSA.                                                                                                                                                                                                                                                                                                                                                                                 |
| DUP            | Déclaration d'Utilité Publique                                                                                                  | A DUP, or, translated as a "declaration of public utility", is a formal recognition in RoC law that a proposed project has public benefits.                                                                                                                                                                                                                                                                             |
| DX             | Dougou Extension                                                                                                                | The Dougou Extension sylvinite solution mining project                                                                                                                                                                                                                                                                                                                                                                  |
| EBITDA         | Earnings Before Interest, Taxes, Depreciation and Amortization                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                         |

## GLOSSARY (CONT)

| Acronym / Term     | Stands For / Meaning                                                                           | Definition and/or Additional Information                                                                                                                                                                                                             |
|--------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EPC                | Engineering, Procurement and Construction                                                      | A particular form of contracting arrangement used in some industries where the EPC contractor is made responsible for all the activities from design, procurement, construction, commissioning and handover of the project to the end-user or owner. |
| EPCM               | Engineering, Procurement and Construction Management                                           | As opposed to EPC where the Contractor is responsible for the construction directly, not only the management of it.                                                                                                                                  |
| ESIA               | Environmental and social impact assessment                                                     | A process for predicting and assessing the potential environmental and social impacts of a proposed project, evaluating alternatives and designing appropriate mitigation, management and monitoring measures.                                       |
| FC                 | The French Consortium of Engineering Companies                                                 | The FC is a consortium of engineering companies who undertook the DFS on the Kola Project. The FC consists of TechnipFMC, VINCI Construction Grands Projects, Egis and Louis Dreyfus Armateur.                                                       |
| GBP                | British pound sterling                                                                         | The official currency of the United Kingdom.                                                                                                                                                                                                         |
| Granular MoP       | The selling description for compacted MoP.                                                     |                                                                                                                                                                                                                                                      |
| Group              | Kore Potash plc and its controlled entities                                                    | A list of the controlled entities within the Group is on page 106 under Note 8.                                                                                                                                                                      |
| Insoluble material | Here refers to clays, organic material and other insoluble components of the sylvinite.        | Low insoluble content is considered advantageous.                                                                                                                                                                                                    |
| JORC               | Australasian Joint Ore Reserves Committee                                                      | JORC is sponsored by the Australian mining industry and its professional organisations.                                                                                                                                                              |
| JORC Code          | The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves | The JORC Code is one of the most accepted standards for the reporting of a company's Mineral Resources and Ore Reserves.                                                                                                                             |
| JSE                | Johannesburg Stock Exchange                                                                    | The securities exchange, licenced under the Financial Markets Act (No 19 of 2012), as amended from time to time, operated by JSE Limited.                                                                                                            |
| KCl                | Potassium Chloride                                                                             |                                                                                                                                                                                                                                                      |
| KMP                | Key Management Personnel                                                                       | 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.                       |
| Kola               | Denotes the Kola Project.                                                                      | The Kola Project is part of the Sintoukola Potash Project.                                                                                                                                                                                           |
| Kore Potash        | Kore Potash plc                                                                                | See definition for "Company" above.                                                                                                                                                                                                                  |
| KPM                | Kola Potash Mining S.A.                                                                        | KPM is one of the subsidiaries of SPSA.                                                                                                                                                                                                              |
| LSE                | London Stock Exchange                                                                          | The LSE is the primary stock exchange in the United Kingdom.                                                                                                                                                                                         |
| LTIP               | Long Term Incentive Plan                                                                       |                                                                                                                                                                                                                                                      |
| Mt                 | Million tonnes                                                                                 |                                                                                                                                                                                                                                                      |
| Mining Convention  | Denotes the mining convention signed by the Group and the government of RoC.                   | The mining convention governs the conditions of construction, operation and mine closure of the Kola and Dougou (including Dougou Extension) mining projects.                                                                                        |
| MoP                | Muriate of Potash                                                                              | The saleable form of potassium chloride (KCl), comprising of a minimum 95% KCl.                                                                                                                                                                      |
| NED                | Non-Executive Director                                                                         | Non-Executive Director of Kore Potash plc                                                                                                                                                                                                            |
| NPV                | Net Present Value                                                                              | NPV <sub>10</sub> denotes the Net Present Value calculated at a 10% discount rate.                                                                                                                                                                   |

## GLOSSARY (CONT)

| Acronym / Term            | Stands For / Meaning                                                                                                          | Definition and/or Additional Information                                                                                                                                                                                                                             |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Potash                    | Refers to potassium compounds, especially those of potassium chloride (MoP) or sulphate (SoP)                                 | Refer to MoP and SoP for the definitions on the two main types of potash.                                                                                                                                                                                            |
| RoC                       | The Republic of Congo                                                                                                         | The RoC is where the Group's exploration activities are located.                                                                                                                                                                                                     |
| Rock-salt                 | In this case, a rock comprised predominantly of the mineral halite (NaCl)                                                     |                                                                                                                                                                                                                                                                      |
| SBP                       | Share-Based Payment(s)                                                                                                        |                                                                                                                                                                                                                                                                      |
| SGRF                      | The State General Reserve Fund of Oman                                                                                        | SGRF, is a sovereign wealth fund in Oman, and is one of the Company's substantial shareholders. Their investment in the Company is held in the name of Princess Aurora Company Pte.                                                                                  |
| Sintoukola Potash Project | Denotes the large potash project operated by the Group through SPSA located in the Kouilou Province of the Republic of Congo. | The Sintoukola Potash Project includes the Kola Project, the Dougou Project and the Dougou Extension Project (previously known as the Yangala Project).                                                                                                              |
| SJCS                      | St James's Corporate Services Limited                                                                                         | SJCS, together with Henko Vos, is the Company's joint company secretary.                                                                                                                                                                                             |
| SoP                       | Sulphate of Potash                                                                                                            | Also called potassium sulphate, arcanite, or archaically known as potash of sulphur. SoP is the inorganic compound with formula $K_2SO_4$ . It is a white water-soluble solid. It is commonly used in fertilizers, providing both potassium and a source of sulphur. |
| SPSA                      | Sintoukola Potash S.A.                                                                                                        | SPSA is the Company's 97%-owned subsidiary located in the RoC, owned through the Company.                                                                                                                                                                            |
| SQM                       | Sociedad Quimica y Minera de Chile S.A.                                                                                       | SQM is a New York listed Chilean lithium & potash company and is one of the Company's substantial shareholders.                                                                                                                                                      |
| Standard MoP              | The selling description for uncompacted MoP.                                                                                  |                                                                                                                                                                                                                                                                      |
| STIP                      | Short Term Incentive Plan                                                                                                     |                                                                                                                                                                                                                                                                      |
| Sylvinite                 | A rock type comprised predominantly of the potash mineral sylvite (KCl) and halite (NaCl)                                     |                                                                                                                                                                                                                                                                      |
| USD                       | United States dollars                                                                                                         | The official currency of the United States of America and its territories, as well as being the functional and presentation currency of the Company and the Group.                                                                                                   |

## REVIEW OF OPERATIONS AND STRATEGIC REPORT FOR KORE POTASH AND THE GROUP

The Board is pleased to present its review of Kore Potash PLC, the potash exploration and development Group, whose flagship asset is the Sintoukola Potash Project, located within the RoC.

The Group is in the process of developing its globally significant potash deposits in the RoC, which are ideally located to supply the important Brazilian agricultural market and high growth African markets. The potash deposits are high grade, at shallow depth, and close to the coast with access to infrastructure. The Sintoukola Project also has district scale development potential with over 6 billion tonnes of potash mineral resources located 35 kilometres from the coast.

Feeding the world's growing population as arable land per capita declines requires increasing application of fertiliser. Potassium (from potash) is a key nutrient, essential for high quality and high yield food production to meet this need. As a result, the increasing demand for potash, as well the potential for the Group to be the lowest cost supplier of potash to Brazil and African markets, puts the Group in a good position to benefit from the positive macro-economic trends over the long term.

### PROJECT OVERVIEW

The Sintoukola Potash Project comprises the Kola sylvinite and carnallite deposits, the Dougou Extension sylvinite deposit and the Dougou carnallite deposit. These deposits are within the Kola and Dougou Mining Licences. The Sintoukola Potash Project also includes the Sintoukola 2 Exploration Licence.

Sintoukola is located approximately 80 km to the north of the city of Pointe Noire which has a major port facility, and within 35 km of the Atlantic coast. Sintoukola has the potential to be among the world's lowest-cost potash producers and its location near the coast offers a transport cost advantage to global fertiliser markets.

The Kola sylvinite deposit has a Measured and Indicated sylvinite Mineral Resources of 508 million tonnes grading 35.4% KCl (see Table 1) at an average depth of approximately 250 metres below surface. The results of the DFS were announced on 29 January 2019, which determined Proved and Probable Ore Reserves totalling at 152.4 Mt with an average grade of 32.5% KCl. The deposit is open laterally; an exploration target for the southward extension of sylvinite was announced on 21 November 2018.

The Dougou Extension sylvinite deposit contains a total sylvinite Inferred and Indicated Mineral Resource estimate of 232 Mt grading 38.1% KCl, hosted by two seams. The Mineral Resource includes 67 Mt grading 60.1 % KCl. Dougou Extension is located 15 km southwest of Kola. The deposit is open laterally; an exploration target for the northward extension of sylvinite was announced on 21 November 2018.

The Dougou carnallite deposit has a Measured and Indicated Potash Mineral Resource estimate of 1.1 billion tonnes grading 20.6% KCl (at a depth of between 400 and 600 metres) hosted by 35-40 metres of carnallite within 4 flat-lying seams. A scoping study was completed in February 2015.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### SUMMARY OF KEY DEVELOPMENTS

- The Company completed its review of the Kola DFS and released a summary of results to Shareholders on 29 January 2019. This included the reporting of:
  - Proved and Probable Ore Reserves for the Kola Deposit totalling 152.4Mt with an average grade of 32.5% KCl.
  - Post-tax, NPV<sub>10</sub> (real) of USD 1,452 million and a real ungeared Internal Rate of Return of 17% on an attributable basis at life-of-mine average MoP prices for granular of USD 360 per tonne CFR Brazil and standard of USD 350 per tonne CFR Brazil.

Further details of the summary of the Kola DFS are available on the Company's website.
- The Company received the EPC offer for the Kola project from the FC and released an announcement on 26 March 2019 stating that it would review the options available to it for the way forward with the Kola Project.
- The Company completed a scoping study on the 400 ktpa Dougou Extension (DX) sylvinitic solution mining project and released a summary of results on 29 April 2019. This utilised the maiden Mineral Resource released on the 20 August 2018 which totalled 232 Mt with an average grade of 38.1% KCl and included the reporting of:
  - Scoping Study demonstrates low technical risk and attractive economics for DX Project
  - Utilises a highly efficient potash extraction method that is well understood and is in use across multiple potash operations globally
  - Attractive life-of-mine cost of sales, free on board (FOB) of approximately USD 82.74/t MoP
  - Mine life of approximately 17 years based on solution mining of 52 million tonnes of Indicated Mineral Resource @ 43.1% KCl from a total Indicated Mineral Resource base of 111 million tonnes @ 37.2% KCl
  - Estimated base case initial capital cost of approximately USD 327 million (real 2019) to produce approximately 400 ktpa white granular MoP
  - Estimated two-year construction period provides the company with near term production options
  - Base case real ungeared IRR of approximately 19.3% and base case post-tax ungeared NPV<sub>10</sub> (real) of approximately USD 221 million on an attributable basis at life-of-mine average MoP price for granular product of USD 360/t
  - Average base case annual post construction, post-tax, free cash flow of approximately USD 74 million and approximately 4.25 years post-tax payback period from first production.
- The Company raised USD 13.47 million to execute a Pre-feasibility study on the DX sylvinitic solution mining project through the placing and direct subscription of new ordinary shares in the Company on 17 July 2019.
- The Company released an update on the review of the Kola EPC and the progress of the Dougou Extension PFS on 29 July 2019 which included the reporting of:
  - A new proposal from the FC that identifies opportunities to reduce the capital cost of the Kola Project by USD 415 million.
  - The acceptance of invites to provide comparative pricing against Kola Bills of Materials by seven international construction and engineering groups
  - The appointment of Agapito Associates Inc as the JORC Competent Persons for both the Mineral Resources Estimate and Ore Reserves in the PFS study
  - The appointment of Innovare Technologies as the technical advisory team to the owner for the Dougou Extension PFS.



## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### SUMMARY OF FINANCIALS

- During the year ended 31 December 2019, the Group's Total Comprehensive Loss was USD 7.3 million and the Group experienced net cash outflows from operating and investing activities of USD 8.9 million. Cash and cash equivalents totalled USD 7.6 million as at 31 December 2019.
- Group net assets increased in the year to USD 162.1m from USD 154.6m. This was primarily driven by exploration and evaluation expenditure for the year of USD 8.9m.
- The Directors prepared a cash flow forecast for the period ending 30 June 2021, which indicates that the Group will not have sufficient liquidity to meet its working capital requirements to the end of the going concern period, primarily being corporate costs, exploration expenditure, and DFS costs related to the Kola and Dougou Projects. Please refer to Note 1 to the financial statements for more detail on the going concern statement.
- Accordingly, the Directors resolved to undertake certain mitigating actions including a capital raise in H2 2020. The Company has begun discussions with its major shareholders with regards to its near and mid-term funding requirements.
- 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.

### CORPORATE ACTIVITIES

- On 17 July 2019, a total of USD 13,457,784 was successfully raised from existing and new investors through the placing and direct subscription of 646,914,254 ordinary shares in the Company at a placing price of GBP 0.016 per new ordinary share. The par value of the 646,914,254 ordinary shares was USD 646,914. In addition to this, on 5 December 2019 the Group acquired two drill rigs with ancillary equipment in exchange for the issue of 22,000,000 ordinary shares at a deemed price of £0.01225 to Equity Drilling Limited. The par value of 22,000,000 shares was USD 22,000. The total value of shares issued in lieu of cash paid was USD 359,920.
- As part of a cash saving initiative, certain non-executive directors were issued with shares in lieu of cash paid in two instalments - on 27 June 2019, 4,224,723 shares were awarded in lieu of cash and on 31 December 2019, 3,811,398 shares were awarded in lieu of cash to David Hathorn, David Netherway and Jonathan Trollip. These two issues had a total value of USD 64,204.
- Andrey Maruta replaced John Crews as Chief Financial Officer in the year. Mr Maruta was appointed on 23 September 2019, whilst Mr Crews' last day as Chief Financial Officer was 21 November 2019. Andrey, has over 16 years mining industry experience, including as CFO at Petropavlovsk Plc. Prior to that he worked in the audit function at accountancy firm Moore Stephens International in both the UK and the Russian Federation.
- David Netherway was appointed as Chair of the Audit and Risk Committee and took the role of Senior Independent Director at the AGM held on 28 June 2019. In doing so he replaced Jonathan Trollip in both roles. However, Mr Trollip remains as a non-executive director.
- Leonard Math did not seek re-election at the AGM held on 29 June 2019 and therefore ceased to be a non-executive director post the AGM.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### OPERATIONAL AND EXPLORATION ACTIVITY

#### Dougou Extension (DX) Pre-Feasibility Study (PFS) Status Update

The Company reports the following progress on the pre-feasibility study:

- The DX PFS is on track for completion in April 2020 within budget.
- Test work:
  - Dissolution test work was performed by Agapito Associates Inc. ("Agapito") in their laboratory in Grand Junction, Colorado. The dissolution tests were conducted on 72 quarter-core samples, acquired from the DX Potash Project site.
  - Testing was performed using selective dissolution (of KCl) at solvent temperatures of 50, 70 and 90°C, with pre-concentrated solvents of 100, 120, 140, and 160 g/l KCl and saturated NaCl. These tests established the relationship between dissolution rate and solvent KCl concentration, enabling the prediction of expected production brine concentrations during commercial solution-mining operations.
  - Additional dissolution testing at higher brine KCl concentrations is planned to be included in the DFS scope of work.
- Geo-mechanical modelling and analysis :
  - Geo-mechanical modelling and analysis of cavern stability and associated surface subsidence was performed by Agapito Associates Inc. The analyses incorporated FLAC3D™ numerical models constructed by Agapito. Surface subsidence, strains, and slopes were predicted for multiple cavern dimension scenarios during selective solution mining of both targeted potash seams.
  - Additional geo-mechanical modelling is being carried out as part of the PFS scope to further improve understanding of the acceptable upper limits of cavern dimensions (beyond those currently assumed for the PFS).
  - Agapito also used the geo-mechanical modelling to assess cavern sizes and ground stability at various extraction ratios.
- 2D Seismic Survey Programme:
  - During September 2019 DMT GmbH & Co. KG (DMT) of Germany acquired over 60 line-kilometres of 2D seismic reflection data on a grid covering approximately a 4 km by 6 km area of the DX Potash Project. This covers the area of the deposit that was the focus of the Scoping Study and remains the focus of the current PFS.
  - The acquisition of this data added to and improved the quality of the data set the Company already had acquired from previous seismic studies across the area.
  - The 2D seismic data was processed by DMT Petrologic GmbH & Co. KG (Petrologic) of Germany. Processing was completed during November 2019.
- Infill drilling programme (this was completed in January 2020)
  - Additional drill-holes DX\_07 and DX\_09B were completed in January 2020, both within the existing DX Mineral Resource area. These holes were 486m and 480m deep respectively.
  - Coring of the Salt Member beneath the anhydrite was completed successfully in both holes and samples sent to SGS in Canada for analysis.
- Mineral Resource Update
  - An update of the Mineral Resource Estimate (MRE) is in progress, incorporating the new 2D seismic data and drilling data. The updated MRE is expected to be completed during Q1 2020 and will be the basis for the DX PFS.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### OPERATIONAL AND EXPLORATION ACTIVITY

#### Kola Sylvinite Project

##### Mining Convention

- The Mining Convention covering the proposed staged development of the Kola and Dougou Mining Licences was gazetted into law on 29 November 2018 following ratification by the Parliament of the RoC. The gazetting of the Mining Convention provides security of title and the right to develop and operate the Kola Project as well as the adjacent Dougou and Dougou Extension deposits. Under the Mining Convention the RoC government will be granted a 10% carried equity interest in the project companies (DPM and KPM, which are wholly owned by SPSA).
- The Mining Convention concludes the framework envisaged in the 25-year renewable Kola and Dougou Mining Licences granted in August 2013 and May 2017, respectively. The Mining Convention provides certainty and enforceability of the key fiscal arrangements for the development and operation of Kola and Dougou Mining Licences, which amongst other items include import duty and VAT exemptions and agreed tax rates during mine operations. See Note 7 to the financial statements for further details on the terms and conditions of the Mining Convention.
- The Mining Convention provides strengthened legal protection of the Company's investments in the RoC through the settlement of disputes by international arbitration.

##### ESIA

- The Kola ESIA was performed during 2012 and approved on 10 October 2013 following the issuance of the certificate of environmental compliance by the Minister of Environment of the RoC. This constituted a key regulatory requirement to be granted the Kola Mining Licence.
- The Kola DFS design has incorporated a number of value-adding design changes since the approval of the ESIA and the Company has undertaken to amend the ESIA accordingly.
- In December 2019, the amended ESIA was submitted to the regulator for review, prior to the Minister of Environment's final approval. The Company anticipates receipt of the approved amended ESIA in the first half of 2020.

##### Kola DFS Update

- The Company completed its review of the Kola DFS and released a summary of results to Shareholders on 29 January 2019. As part of the DFS, Met-Chem, a division of DRA Americas Inc., (a subsidiary of the DRA Group) completed an Ore Reserve Estimate for the Kola Sylvinite Deposit. The Ore Reserves total 152.4 Mt with average grade of 32.5% KCl. The estimate of Ore Reserves was completed by Met-Chem DRA Global and was prepared in accordance with the JORC Code. Table 1 on page 13 provides the Proved and Probable Kola Sylvinite Ore Reserves. Further details of the summary of the Kola DFS is available on the Company's website.
  - In the September 2019 Quarterly report, the Company reported that Phase 1 of capital optimisation utilising alternative construction and engineering groups had been completed with the receipt proposal against a Kola DFS Bill of Quantities and that further analysis was required. Similarly, the Company reported it had met with the FC to discuss their potential capital savings and that it was expecting the FC to submit a revised proposal. Further analysis of the bids received and meetings with the FC to understand their potential capital expenditure and schedule savings has led the Company to believe that the Kola Bill of Quantities ("BoQ") exercise identified capital savings in excess of USD 300 million in comparison to the Definitive Feasibility Study capital cost.
  - Discussions with European engineering and construction groups indicates that further optimisation activity (including design revisions) is likely to generate additional capital cost reductions.
  - With current focus on the development of the lower capital cost DX project, the Company will continue to explore options to reduce the Kola capital cost but is not planning further expenditure on the optimisation of Kola in the near term

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### OPERATIONAL AND EXPLORATION ACTIVITY (CONT)

#### Authorisation obtained from RoC authorities

- On 7 October 2019, an authorisation was obtained from the Electronic Communications Regulation Agency (Ministry of Telecommunications) for the establishment by Kore Potash through its subsidiary SPSA of an independent electronic communications network (VHF) and for the company to operate an assigned and dedicated radio frequency.
- On 16 October 2019, an authorisation was obtained from the Ministry of Environment for SPSA to carry out the seismic survey and drilling campaign for the DX project.
- On 15 November 2019, a letter of consent was obtained from the Ministry in charge of the Special Economic Zone (ZES) for the DX project to use land within the ZES of Pointe Noire to construct the export facility.
- On 27 November 2019, an authorisation was obtained from the Ministry of Environment for SPSA to import and store the chemicals needed for the drilling campaign on the DX project.

#### Workstreams initiated with RoC authorities

- On 9 April 2019, Kore Potash through its subsidiary SPSA submitted to the Ministry of Mines a draft Mining research agreement for Sintoukola 2 exploration permit. The draft was amended by the Ministry in November 2019 and is being further reviewed by the Company.
- On 3 June 2019, Kore Potash through its subsidiary SPSA submitted to the Ministry of Environment a request for renewal of the Dougou Certificate of Environmental Compliance which was set to expire on 13 July 2019. The Company is following up on this.
- On 23 July 2019 Kore Potash through its subsidiary SPSA sent a new set a of formal letters to the Ministry of Mines asking for governmental actions in relation with its permits and is closely monitoring progress:
  - Correction to the GPS coordinates appearing in the granting decree of Dougou exploitation permit,
  - Transfer of the Dougou exploitation permit from SPSA to DPM,
  - Rectify the granting decree of the Kola exploitation Licence to ensure the permit is firstly being attributed to Sintoukola Potash and then transfer to Kola Potash
  - Change to the duration of the Sintoukola 2 exploration permit as it appears on the granting decree, from 2 years to 3 years.
- On 16 September 2019, Kore Potash through its subsidiary SPSA submitted a draft Shareholders Agreement to the Ministry of Mines for review and comments and is monitoring progress.
- On 20 December 2019, the amended ESIA for Kola was submitted to the Ministry of Environment. The Certificate of Environmental Compliance for Kola is expected in Q2 2020

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### OPERATIONAL AND EXPLORATION ACTIVITY (CONT)

#### Changes to Potash Mineral Resources and Ore Reserves between 2018 and 2019

Tables 1 and 2 provide a comparison of the Company's Mineral Resources and Ore Reserves, year-on-year between 2018 and 2019, as per ASX Listing rule 5.21.4. There are no changes.

Table 1. Comparison of Potash Mineral Resources year-on-year between 2018 and 2019.

| MINERAL RESOURCES                  |                             | 2018           |             |                    | 2019           |             |                    |
|------------------------------------|-----------------------------|----------------|-------------|--------------------|----------------|-------------|--------------------|
|                                    |                             | Million Tonnes | Grade KCl % | Contained KCl (Mt) | Million Tonnes | Grade KCl % | Contained KCl (Mt) |
| Kola Sylvinite Deposit             | Measured                    | 216            | 34.9        | 75                 | 216            | 34.9        | 75                 |
|                                    | Indicated                   | 292            | 35.7        | 104                | 292            | 35.7        | 104                |
|                                    | <b>Measured + Indicated</b> | 508            | 35.4        | 180                | 508            | 35.4        | 180                |
|                                    |                             |                |             |                    |                |             |                    |
|                                    | Inferred                    | 340            | 34.0        | 116                | 340            | 34.0        | 116                |
|                                    | <b>TOTAL</b>                | <b>848</b>     | <b>34.8</b> | <b>295</b>         | <b>848</b>     | <b>34.8</b> | <b>295</b>         |
| Dougou Extension Sylvinite Deposit | Measured                    | 0              | 0.0         | 0                  | 0              | 0.0         | 0                  |
|                                    | Indicated                   | 111            | 37.2        | 41                 | 111            | 37.2        | 41                 |
|                                    | <b>Measured + Indicated</b> | 111            | 37.2        | 41                 | 111            | 37.2        | 41                 |
|                                    |                             |                |             |                    |                |             |                    |
|                                    | Inferred                    | 121            | 38.9        | 47                 | 121            | 38.9        | 47                 |
|                                    | <b>TOTAL</b>                | <b>232</b>     | <b>38.1</b> | <b>88</b>          | <b>232</b>     | <b>38.1</b> | <b>88</b>          |
| Kola Carnallite Deposit            | Measured                    | 341            | 17.4        | 59                 | 341            | 17.4        | 59                 |
|                                    | Indicated                   | 441            | 18.7        | 83                 | 441            | 18.7        | 83                 |
|                                    | <b>Measured + Indicated</b> | 783            | 18.1        | 142                | 783            | 18.1        | 142                |
|                                    |                             |                |             |                    |                |             |                    |
|                                    | Inferred                    | 1,266          | 18.7        | 236                | 1,266          | 18.7        | 236                |
|                                    | <b>TOTAL</b>                | <b>2,049</b>   | <b>18.5</b> | <b>378</b>         | <b>2,049</b>   | <b>18.5</b> | <b>378</b>         |
| Dougou Carnallite Deposit          | Measured                    | 148            | 20.1        | 30                 | 148            | 20.1        | 30                 |
|                                    | Indicated                   | 920            | 20.7        | 190                | 920            | 20.7        | 190                |
|                                    | <b>Measured + Indicated</b> | 1,068          | 20.6        | 220                | 1,068          | 20.6        | 220                |
|                                    |                             |                |             |                    |                |             |                    |
|                                    | Inferred                    | 1,988          | 20.8        | 414                | 1,988          | 20.8        | 414                |
|                                    | <b>TOTAL</b>                | <b>3,056</b>   | <b>20.7</b> | <b>634</b>         | <b>3,056</b>   | <b>20.7</b> | <b>634</b>         |
| TOTAL MINERAL RESOURCES            | Measured                    | 705            | 23.3        | 165                | 705            | 23.3        | 165                |
|                                    | Indicated                   | 1,764          | 23.7        | 419                | 1,764          | 23.7        | 419                |
|                                    | <b>Measured + Indicated</b> | 2,469          | 23.6        | 583                | 2,469          | 23.6        | 583                |
|                                    |                             |                |             |                    |                |             |                    |
|                                    | Inferred                    | 3,715          | 21.9        | 813                | 3,715          | 21.9        | 813                |
|                                    | <b>TOTAL</b>                | <b>6,185</b>   | <b>22.6</b> | <b>1,396</b>       | <b>6,185</b>   | <b>22.6</b> | <b>1,396</b>       |

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### OPERATIONAL AND EXPLORATION ACTIVITY (CONT)

#### Changes to Potash Mineral Resources and Ore Reserves between 2018 and 2019 (Cont)

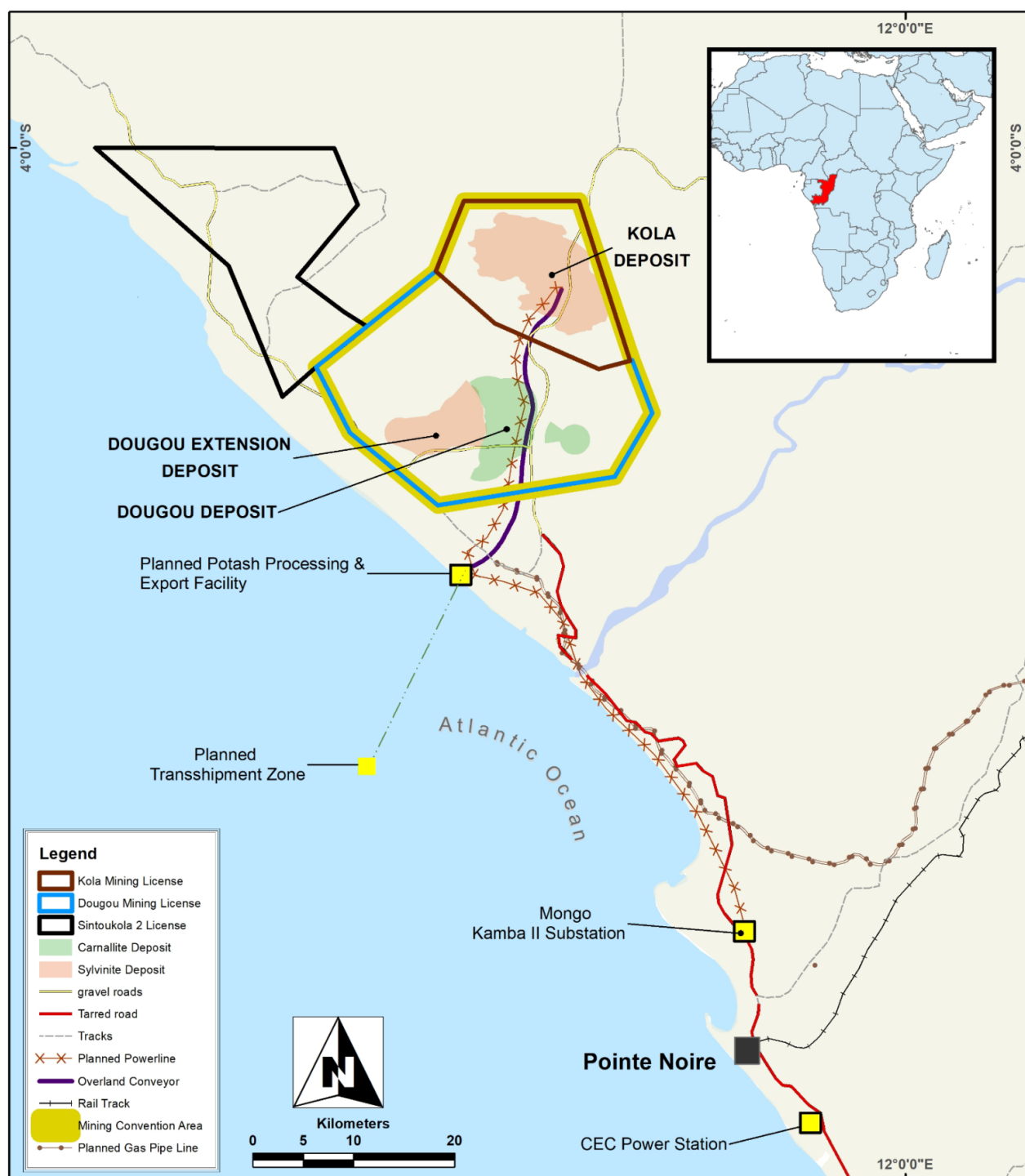
Table 2. Comparison of Ore Reserves year-on-year between 2018 and 2019.

\*Note that the Kola Ore Reserves were reported on 29 January 2019 but included in the annual report for the year ending 2018.

| ORE RESERVES            |          | 2018           |             |                    | 2019           |             |                    |
|-------------------------|----------|----------------|-------------|--------------------|----------------|-------------|--------------------|
|                         |          | Million Tonnes | Grade KCl % | Contained KCl (Mt) | Million Tonnes | Grade KCl % | Contained KCl (Mt) |
| Kola Sylvinitic Deposit | Proved   | 61.8           | 32.1        | 19.8               | 61.8           | 32.1        | 19.8               |
|                         | Probable | 90.6           | 32.8        | 29.7               | 90.6           | 32.8        | 29.7               |
|                         | TOTAL    | 152.4          | 32.5        | 49.5               | 152.4          | 32.5        | 49.5               |

Notes: The Kola Mineral Resource Estimate was reported 6 July 2017 in an announcement titled 'Updated Mineral Resource for the High Grade Kola Deposit'. It was prepared by the Met-Chem division of DRA Americas Inc., a subsidiary of the DRA Group. The Ore Reserve Estimate for Kola was first reported on 29 January 2018 in an announcement titled 'Kola Definitive Feasibility Study' and was prepared by Met-Chem. The Dougou carnallite Mineral Resource Estimate was reported on 9 February 2015 in an announcement titled 'Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit'. It was prepared by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH. The Dougou Extension sylvinite Mineral Resource Estimate was reported on 20 August 2018 in an announcement titled 'Maiden Sylvinite Mineral Resource at Dougou Extension'. It was prepared by Competent Person Mr. Andrew Pedley a full-time employee of Kore Potash at that time

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)





## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### BUSINESS MODEL

The Company's business strategy for the financial year ahead and in the foreseeable future is to continue exploration and development activities on the Company's existing potash mineral projects in the RoC. The Company's current activities do not generate any revenues or positive operating cash flow. Future development necessary to commence production will require significant capital expenditures.

### POSITION AND PRINCIPAL RISKS

The Company's business strategy is subject to numerous risks, some outside the Board's and management's control. These risks can be specific to the Company, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- capital requirement and ability to attract future funding;

The Group will have sizeable capital requirements as it proceeds to develop its projects. The future development of these projects will depend on the Group's ability to obtain additional required financing. The Group may not be able to obtain financing on favourable terms or at all. If financing is not available, it could result in a delay or indefinite postponement of development or production at the Group's projects, or in a loss of project ownership or earning opportunities by the Group. The Group currently has no source of funding for the financing of the capital needs of its business and future activities, other than by the issuance of additional securities of the Group.

The Group continues to actively engage and develop relationships with potential lenders, export credit agencies and equity investors. The Group also has two large long-term strategic investors, SQM and SGRF, with extensive capital resources.

Factors beyond the Company's control, including pandemic diseases such as COVID-19 (coronavirus), can affect the stock markets and in doing so impair the Company's ability to attract investors and lenders. This in turn could have an impact on any fund raising or financing arrangements that the Company may require to pursue.

- Country risk in the RoC

The operations of the Group are conducted in the RoC and as such are exposed to various levels of political, economic and other natural and man-made risks and uncertainties over which the Group has no or limited control. Changes, if any, in mining, environmental or investment policies or shifts in political attitude in the RoC may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's local management has regular consultations with the local community and actively seeks to employ locally, where possible. Additionally, the CEO and other relevant senior management have established good relationships with the official local and country establishments e.g. the Ministry of Mines and Geology and the Ministry of Environment with whom regular contact and consultation is maintained. In addition, the Group benefits from the UK-Congo bilateral investment treaty, which provides strengthened legal protection to the Group's investments in the RoC.

- change in potash commodity prices and market conditions;

The operations of the Group are conducted in the ROC, and as such are exposed to various levels of political, economic and other natural and man-made risks and uncertainties over which the Group has no or limited control. Changes, if any, in mining, environmental or investment policies or shifts in political attitude in the ROC may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's local management has regular consultations with the local community and actively seeks to employ locally, where possible. Additionally, the CEO and other relevant senior management have established good relationships with the official local and country establishments e.g. the Ministry of Mines and Geology and the Ministry of Environment with whom regular contact and consultation is maintained. In addition, the Group benefits from the UK-Congo bilateral investment treaty, which provides strengthened legal protection to the Group's investments in the ROC.



## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

- geological and technical risk posed to exploration and commercial exploitation success;

Mining complexities arising from geotechnical, hydro-geological conditions and undetected geological phenomena may adversely impact the efficiency of the operation to the extent that the operation becomes financially unviable. Additionally, human error by the miners, equipment failure, mistakes in planning the operations, and encountering unforeseen obstacles could each affect the profitability of the Group.

The Group has appointed reputable third-party technical consultants with specific skills to undertake the feasibility and engineering studies. The Group intends to appoint well regarded, highly reputable ECM contractors to develop the Group's projects.

- environmental and occupational health and safety risks;

Environmental, safety and health incidents including pandemic diseases like COVID-19 (coronavirus) could result in harm to the Group's employees, contractors or local communities and adversely affect the Group's relationship with local stakeholders. Ensuring safety and wellbeing is critical to the Group and part of the Group's core values. An environmental incident, poor safety record or serious accidents could have a long-term impact on the Group's morale, reputation, project development and production.

The Group's Health, Safety and Environmental Committee regularly reviews the health, safety and environmental policy and risks of the Group and makes recommendations for improvement. The Group seeks to continuously improve its health, safety and environmental risk management procedures, with particular focus on the early identification of risks and the prevention of incidents, injuries and fatalities.

- government policy changes;

The mineral exploration and development activities and future operations of the Group are subject to various laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

New rules and regulations could be enacted, or existing rules and regulations could be applied or amended in a manner that could have a material and adverse effect on the business, financial condition and results of operations of the Group.

The Group monitors changes in legislation for relevant jurisdictions to enable rapid and effective response. The Group also consults with tax, legal, accounting and regulatory experts as required to ensure that any upcoming changes in legislations are proactively accounted for.

- retention of key staff.

The attraction and retention of persons skilled in the development, operation, exploration and acquisition of mining properties are important factors in enabling the Group to fulfil its strategic ambitions and to build further expertise, knowledge and capabilities within the Group. Being unable to do so would compromise the Group's ability to deliver on its strategic objectives.

The Group's performance management system and incentive schemes are designed to attract and retain key employees by creating suitable reward and remuneration structures linked to key performance milestones and provide personal development opportunities.

For more details of the financial risk management objectives and policies of the Group, please refer to Note 15 to the financial statements.

This is not an exhaustive list of risks faced by the Company or an investment in it. There are other risks generic to the stock market and the world economy as a whole and other risks generic to the mining industry, all of which can impact on the Company. The management of risks is integrated into the development of the Company's strategic and business plans and is reviewed and monitored regularly by the Board. Further details on how the Company monitors, manages and mitigates these risks are included as part of the Audit and Risk Committee Report contained within the Corporate Governance Report.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### DIRECTORS' SECTION 172 STATEMENT

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

### Stakeholder Engagement

Kore Potash adheres to sound corporate governance policies and attaches considerable importance to and strives to engage transparently and effectively on a continuous basis with a variety of stakeholders, including shareholders, employees, contractors, suppliers, government bodies and local communities and environment in which it operates.

#### Shareholders:

The Company's 2 largest shareholders, SQM and SGRF, by virtue of their respective Investment Agreements, has each appointed a director to the board. As such they are involved in all principal decisions taken by the board, other than in cases where conflicts of interests may arise. All other existing substantial shareholders have regular meetings throughout the year with the Chairman, CEO and CFO. Prior consultation with significant shareholders is undertaken in respect of all issues requiring the approval of shareholders in general meeting. In addition, all significant matters raised, or areas of concern specified by such shareholders during such meetings in respect of the Company's operations, strategy and other significant business matters are taken into account by the board when taking principal decisions.

In July 2019, the Company completed an equity placing to raise c.USD 13.457 million, in which both SQM and SGRF participated.

At the Company's AGM held on 28 June 2019, all resolutions were passed with at least 80% of the votes cast in favour. The CEO, CFO and non-executive directors, including the chair of each Committee, are usually available at and following general meetings of the Company when shareholders have the opportunity to ask questions on the business of the meeting and more generally on Company matters.

All substantial shareholders that own more than 3% of the Company's shares are listed on page 147 of this Report.

Further details of engagement with shareholders can be found within the Corporate Governance Report.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### DIRECTORS' SECTION 172 STATEMENT (cont)

#### Employees:

Kore Potash attaches great importance to its employees and their professional development and provides fair remuneration with incentives for its senior personnel through share option schemes that are performance related. Further details of these are included in the Remuneration Report on pages 58 to 74. Further, the Company gives full and fair consideration to applications for employment irrespective of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation.

The Company maintains an open line of communication between its employees, senior management and the board of directors. Specifically, the CEO holds monthly meetings with all employees where open questioning and sharing of concerns is encouraged. The Board has had oversight on issues raised by the Employees and management actions throughout the year via monthly management reports to the Board which detail any personnel complaints or grievances and action management have committed to in order to resolve issues.

Members of the Board periodically visit all parts of the business and interact with employees.

On 20 December 2018 David Netherway, a non-executive director, was designated as the director responsible for workplace engagement in accordance with the 2018 Corporate Governance Code. Further details of the Company's workplace mechanism and how this was effected during the year can be found within the Corporate Governance Report.

#### Contractors and Suppliers:

The Group has a prompt payment policy and seeks to ensure that all liabilities are settled within each supplier's terms. Through fair dealings the Group aims to cultivate the goodwill of its contractors, consultants and suppliers.

Corporate and local management work closely with contractors and suppliers in the UK and the RoC to ensure they work within the parameters of their respective terms of engagement and do not have a detrimental effect on the Company's business and project timeline. See pages 10 to 15 in the Review of Operations for latest progress on exploration activities.

#### Governmental Bodies, local communities and environment:

The Group takes significant cognisance of the importance to the communities in which it operates and is grateful for their support and involvement in the Company's exploration and development activities.

The Group has had ongoing engagements with the local community in order to ensure there are open lines of communication for any concerns to be raised and to ensure there is two-way communication between the Group and the local communities. In particular, in order to keep the local communities up to date with regards to the progress of the projects and also to maintain good communication with the local stakeholders, a number of community meetings were held with the population of each of the 11 villages in the projects impact zone. In addition, a fixed weekly meeting point at Koutou Camp Community Hall has been established to address to attend all concerns, complaints and requests of local community stakeholder groups.

The CEO and other relevant senior management have established good relationships with the official local and country establishments e.g. the Ministry of Mines and Geology and the Ministry of Environment with whom regular contact and consultation is maintained.

During the year a number of follow up meetings were held in Brazzaville with 3 Ministries in order to generally progress matters in relation to the projects. In addition, the Minister of Mines and Geology and the Minister of Land Affairs visited the drilling site.

The Kola DFS design has incorporated a number of value-adding design changes since the approval of the ESIA and the Company had undertaken to amend the ESIA accordingly. In December 2019, the amended ESIA was submitted to the regulator for review, prior to the Minister of Environment's final approval. The Company anticipates receipt of the approved amended ESIA in the first half of 2020.

In addition, the Group maintains a high standard of technical best practice in its activities and adheres to international standards where applicable.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### Principal decisions taken by the board during the period

Principal decisions are defined as those that have long-term strategic impact and are material to the Group and those that are significant to the Group's key stakeholder groups. In making the principal decisions, the board considered the alignment with its stated strategy, the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Details of the principal decisions taken by the board during the period in respect of the Kola DFS review, the review of options available for the way forward following the receipt of the EPC offer for the Kola project, the completion of the scoping study for the DX project, the raising of circa USD 13 million to execute a Pre-Feasibility Study on the DX project and the review of preliminary options to finance the DX project are contained under the Summary of Key Developments within the Strategic Report.

### COMPETENT PERSON STATEMENT

The information relating to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves in this report is based on, or extracted from previous reports referred to herein, and is available to view on the Company's website [www.korepotash.com](http://www.korepotash.com). The Kola Mineral Resource Estimate was reported on 6 July 2017 in an announcement titled 'Updated Mineral Resource for the High Grade Kola Deposit'. It was prepared by Competent Person Mr. Garth Kirkham, P.Geo., of Met-Chem division of DRA Americas Inc., a subsidiary of the DRA Group, and a member of the Association of Professional Engineers and Geoscientists of British Columbia. The Ore Reserve Estimate for sylvinite at Kola was first reported on 29 January 2018 in an announcement titled 'Kola Definitive Feasibility Study' and was prepared by Met-Chem; the Competent Person for the estimate is Mr. Molavi, member of good standing of Engineers and Geoscientists of British Columbia. The Dougou carnallite Mineral Resource Estimate was reported on 9 February 2015 in an announcement titled 'Elemental Minerals Announces Large Mineral Resource Expansion and Upgrade for the Dougou Potash Deposit'. It was prepared by Competent Persons Dr. Sebastiaan van der Klauw and Ms. Jana Neubert, senior geologists and employees of ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH and members of good standing of the European Federation of Geologists. The Dougou Extension sylvinite Mineral Resource Estimate was reported on 20 August 2018 in an announcement titled 'Maiden Sylvinite Mineral Resource at Dougou Extension'. It was prepared by Competent Person Mr. Andrew Pedley a full-time employee of Kore Potash, a registered professional natural scientist with the South African Council for Natural Scientific Professions and member of the Geological Society of South Africa. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## REVIEW OF OPERATIONS AND STRATEGIC REPORT (CONT)

### FORWARD-LOOKING STATEMENTS

This report contains statements that are "forward-looking". Generally, the words "expect," "potential", "intend," "estimate," "will" and similar expressions identify forward-looking statements. By their very nature and whilst there is a reasonable basis for making such statements regarding the proposed placement described herein; forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results, performance or achievements, to differ materially from those expressed or implied in any of our forward-looking statements, which are not guarantees of future performance. Statements in this report regarding the Company's business or proposed business, which are not historical facts, are "forward looking" statements that involve risks and uncertainties, such as resource estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made.

This Review of Operations and Strategic Report was approved by the board of directors on 23 March 2020 and is signed on its behalf by:



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Non-Executive Chairman  
David Hathorn  
23 March 2020



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Chief Executive Officer  
Brad Sampson  
23 March 2020

## DIRECTORS' REPORT

The Directors present their annual report on Kore Potash and the Group for the financial year ended 31 December 2019.

The Corporate Governance statement set out in pages 34 to 76 forms part of this Directors' Report.

### Directors

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

|                    |                                                   |
|--------------------|---------------------------------------------------|
| David Hathorn      | Non-Executive Chairman                            |
| Brad Sampson       | Chief Executive Officer                           |
| Jonathan Trollip   | Non-Executive Director                            |
| Leonard Math       | Non-Executive Director (resigned on 28 June 2019) |
| Timothy Keating    | Non-Executive Director                            |
| David Netherway    | Non-Executive Director                            |
| Jose Antoni Merino | Non-Executive Director                            |

Directors have been in office of the Company since the start of the financial year to the date of this report unless otherwise stated.

### Joint Company Secretary

Mr Henko Vos  
 St James's Corporate Services Limited

### Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Group during the financial year was exploration for potash minerals prospects and project development at the Company's Sintoukola Potash Permit in the RoC. There were no significant changes in the nature of activities of the Group during the year.

### Operating Results

The net loss after tax of the Group for the year ended 31 December 2019 amounted to USD 4,202,752 (31 December 2018: USD 6,269,366).

### Dividends Paid or Recommended

No dividends were paid during the year and the directors do not intend to recommend the payment of a final dividend for the financial year under review (2018: nil).

### Review of Operations and Strategic Report

Please refer to pages 7 to 21 of the Annual Report.

### Significant Changes in State of Affairs

#### *Board Changes*

Leonard Math did not seek re-election at the AGM held on 28 June 2019 and therefore ceased to be a director with effect from that date.

## DIRECTORS' REPORT (CONT)

### Significant Changes in State of Affairs (Continued)

#### *Capital Raise*

On 17 July 2019, a total of USD 13,457,784 was raised to undergo work on the Dougou Extension PFS and general working capital requirements in connection with the AIM and JSE listings. This was raised from existing and new investors through the placing and direct subscription of 646,914,254 new ordinary shares in the Company at a placing price and subscription price of GBP 0.016 per new ordinary share.

#### *Other capital movements:*

On 13 February 2019, 1,886,996 Class C Performance Rights were converted into fully paid ordinary shares.

On 18 October 2019, following their irrevocable election to receive a proportion of their respective director's fees in shares over a certain period, David Hathorn, David Netherway and Jonathan Trollip were issued 2,820,520, 800,503 and 603,700 new ordinary shares respectively at a price of GBP 0.012304 per share in lieu of 100%, 55% and 53% of their respective remuneration for the quarter ended 30 September 2019.

Additionally, on the same date, following the unconditional vesting of the Performance Rights issued to certain Non-Executive Directors and Leonard Math, a former non-executive director, on 29 March 2019, being the first anniversary of admission to trading on AIM and as announced on 15 April 2019, a total of 1,562,500 new ordinary shares were issued as follows to satisfy the Performance Rights

|                  |         |
|------------------|---------|
| David Hathorn    | 500,000 |
| Jonathan Trollip | 250,000 |
| Leonard Math     | 250,000 |
| David Netherway  | 250,000 |
| Timothy Keating  | 250,000 |

On 6 December 2019, 22,000,000 new ordinary shares were issued to Equity Drilling Limited at a deemed price of GBP0.01225 per share as consideration for the acquisition of 2 drill rigs and ancillary equipment.

Subsequent to the year-end, on 21 January 2020, following their irrevocable election to receive a proportion of their respective director's fees in shares over a certain period, David Hathorn, David Netherway and Jonathan Trollip were issued 2,544,575, 722,186 and 544,637 new ordinary shares respectively at a price of GBP0.011556 per share in lieu of 100%, 55% and 53% of their respective remuneration for the quarter ended 31 December 2019.

#### *Project*

On 9 February 2018, Kore Potash through its subsidiary SPSA was awarded the Sintoukola 2 Exploration Permit by the government of the RoC. This permit covers areas the Company believes are prospective for potash mineralisation. This permit is valid for three years, following which it may be renewed twice, each time for a further period of two years. The Mining Convention covering the proposed staged development of the Kola and Dougou Mining Licences was also gazetted into law on 29 November 2019 following ratification by the Parliament of the RoC.

#### *CDI Movement*

During the year the number of CDIs quoted on the ASX decreased by 41,277,252 as a result of transfers between CDIs quoted on the ASX and ordinary shares quoted on AIM and the JSE.

### Significant Events Subsequent to Reporting Date

Details of the Group's significant events subsequent to the reporting date are included in Note 17 to the financial statements

### Political Contributions and Charitable Donations

During the current and previous years, the Group did not make any political contributions and charitable donations.



## DIRECTORS' REPORT (CONT)

### Employee Engagement

Details of how the directors have engaged with the employees and how the directors have had regard to employee interests and the effect of that regard, including on the principal decisions taken by the company during the financial year, are included in the Section 172 Statement contained within the Strategic Report.

### Business Relationships

Details of the how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the financial year are included in the Section 172 Statement contained within the Strategic Report.

### AGM

This report and financial statements will be presented to shareholders for their approval at the next AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

### Auditors

During the year Deloitte LLP tendered its resignation as the Company's auditors to take effect from the conclusion of the AGM held on 28 June 2019. Following a tender process, the directors proposed that BDO LLP be appointed as the Company's auditors, subject to approval by shareholders at the AGM. Accordingly, a resolution was proposed at the AGM and passed by the requisite majority. As a consequence, BDO LLP became the Company's auditors with effect from 28 June 2019. A resolution for BDO's reappointment will be proposed at the forthcoming AGM.

### The Use of Financial Instruments by the Group

The Group has exposure to the following risks from their use of financial instruments:

- market risk,
- credit risk, and
- liquidity risks.

For more details of the financial risk management objectives and policies of the Group, please refer to Note 15 to the financial statements.

### 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.



## DIRECTORS' REPORT (CONT)

### Health and Safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective, a Health, Safety and Environmental Committee has been established to review the health and safety policy and risks of the Group and make recommendations to the Board. The Group provides training and support to employees and sets demanding standards for workplace safety. The Group recorded no lost time injuries in 2019 and completed the year with a LTIFR of nil.

### Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then 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 potash and the development of the Kola and the Dougou deposits. The Company will also consider the acquisition of further prospective exploration interests.

### Environmental Issues

The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, employees and suppliers. In respect of the current year under review, 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 exploration permits and mining licences in the RoC. The Group's operations are subject to environmental legislation in this jurisdiction in relation to its exploration activities.

### Unissued Shares under Options and Equity Warrants

Share options outstanding at the date of this report:

| Exercise Period                                     | Exercise Price | Number of Options |
|-----------------------------------------------------|----------------|-------------------|
| Options expiring on or before 27 June 2020          | GBP 0.11       | 4,000,000         |
| Options expiring on or before 19 July 2024          | GBP 0.022      | 26,900,000        |
| Equity warrants expiring on or before 29 March 2021 | AUD 0.30       | 13,144,659        |
|                                                     |                | <u>44,044,659</u> |

The holders of these options and equity warrants do not have the right, by the virtue of the option or equity warrant, to participate in any share issue or interest issue of the Company. There was no exercise of unlisted options or equity warrants during the year. However, 17,200,000 unlisted options, exercisable at GBP 0.011, were cancelled on 28 June 2019 and 50,000,000 unlisted options exercisable at AUD 0.30 expired 15 November 2019. See Note 10 and Note 12(a) to the financial statements for further details on the options and equity warrants issued and expired during the year and the issue price of these options and equity warrants.

## DIRECTORS' REPORT (CONT)

### Performance Rights

Performance rights outstanding at the date of this report:

| Class                                      | Expiry     | Number of Rights  |
|--------------------------------------------|------------|-------------------|
| Former Project Director Performance Rights | 06/12/2020 | 2,255,000         |
| Managing Director Performance Rights       | 01/03/2021 | 5,881,250         |
| 2016 Award Performance Shares              | 31/05/2022 | 1,405,000         |
| Employee Performance Shares (Short Term)   | 31/05/2020 | 3,747,005         |
| Employee Performance Shares (Long Term)    | 31/05/2022 | 11,734,853        |
| Managing Director Performance Rights       | 31/05/2022 | 660,000           |
| Non-Executive Director Performance Rights  | 22/05/2022 | 2,500,000         |
|                                            |            | <u>28,183,108</u> |

The performance rights holders do not hold any voting rights or rights to participate in dividends unless the rights have vested and were converted to fully paid ordinary shares. There were two exercises of performance rights during the year, with 1,886,996 exercised on 14 February 2019, and 1,562,500 exercised on 18 October 2019. During the year, 437,500 performance rights were cancelled. See Note 12(a) to the financial statements for further details on the performance rights issued and cancelled during the year.

### Information on Directors

#### David Hathorn

Non-Executive Chairman  
*BCom, CA*

Mr. Hathorn joined the Group in November 2015. Mr. Hathorn retired in 2017 from the Mondi group where he had been CEO for 17 years. The Mondi group is an international packaging and paper group, employing around 25,000 people across more than 30 countries, listed on the LSE and the JSE. Prior to the demerger of the Mondi group from Anglo American plc, Mr. Hathorn was a member of the Anglo American group executive committee from 2003 and an executive director of Anglo American plc from 2005, serving on several boards of the group's major mining operations.

#### Interest in Shares and Options

48,769,093 Fully Paid Ordinary Shares  
 4,000,000 Unlisted Options exercisable at GBP 0.11 each expiring 27 June 2020  
 1,000,000 Performance Rights each expiring 22 May 2022  
 250,000 Equity warrants exercisable at AUD 0.30 each expiring 29 March 2021

#### Directorships held in other listed entities

None

#### Former directorships of listed companies in last three years

CEO of Mondi group (from 1 May 2007 to 11 May 2017)

## DIRECTORS' REPORT (CONT)

### Information on Directors (Cont)

#### **Brad Sampson**

Chief Executive Officer

*B Eng (Mining) Hons, MBA, AMP,*

*GAICD, MAusIMM*

Mr Sampson is a mining engineer and joined the Group in June 2018. He has more than 30 years' resources industry experience across numerous locations including West and Southern Africa. In addition to significant mine development and operating experience, Brad has held leadership positions at several publicly listed companies.

Brad was most recently CEO of ASX listed Tiger Resources Limited, a copper producer in the Democratic Republic of the Congo which in January 2018 entered into a binding agreement to sell its assets to a Chinese group for USD 250 million. Prior to this, Brad held senior positions at Newcrest Mining Ltd, one of the world's largest gold mining companies, including General Manager of Newcrest's West African operations. From 2008 to 2013, Brad was the CEO of AIM/ASX listed Discovery Metals Ltd, where he was hired to lead the project financing, construction and subsequent production of the Company's flagship copper asset in Botswana. Other notable positions include General Manager at Goldfields' operations in South Africa and Australia.

Interest in Shares and Options

2,464,705 Fully Paid Ordinary Shares

26,900,000 Unlisted Options exercisable at GBP 0.202 each expiring 19 July 2024

Directorships held in other listed entities

Agrimin Limited (from 22 April 2016)

Former directorships of listed companies in last three years

Tiger Resources Limited (from 6 February 2017 to 9 February 2018)

#### **Jonathan Trollip**

Non-Executive Director

*B.A (Hons) LLM, FAICD*

Mr Trollip joined the Group in April 2016 and is a globally experienced Director (both executive and non-executive) with over 30 years of commercial, corporate, governance and legal and transactional expertise. He is currently Non-Executive Chairman of ASX listed Global Value Fund Ltd, Future Generation Investment Company Ltd, Plato Income Maximiser Ltd, Spheria Emerging Companies Ltd and Antipodes Global Investment Company Ltd and a non-executive director of Propel Funeral Partners Limited. He also holds various private company directorships in the commercial and not-for-profit sectors.

Interest in Shares & Options

2,190,051 Fully Paid Ordinary Shares

500,000 Performance Rights each expiring 22 May 2022

Directorships held in other listed entities

Future Generation Investment Company Limited (from 8 October 2013)

Global Value Fund Limited (from 20 March 2014)

Antipodes Global Investment Company Limited (from 13 July 2016)

Plato Income Maximiser Limited (from 20 February 2017)

Spheria Emerging Companies Limited (from 12 September 2017)

Propel Funeral Partners Limited (from 19 September 2017)

Former directorships of listed companies in last three years

Spicers Limited (from 6 September 2017 to 11 July 2019)

## DIRECTORS' REPORT (CONT)

### Information on Directors (Cont)

#### **Leonard Math**

Non-Executive Director

*B.Com., CA*

*(Resigned on 28 June 2019)*

Mr Math joined the Group in April 2014. Mr Math graduated from Edith Cowan University in 2003 with a Bachelor of Business majoring in Accounting and Information Systems. He is a member of the Institute of Chartered Accountants. In 2005 he worked as an auditor at Deloitte before joining GDA Corporate as Manager of Corporate Services. He has extensive experience in relation to public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations within both the retail and institutional sectors. He is currently the CFO and Company Secretary of ASX listed AVZ Minerals Limited.

Interest in Shares & Options None

Directorships held in other listed entities None

Former directorships of listed companies in last three years Mako Hydrocarbons Limited (delisted / deregistered / liquidated on 4 April 2016)  
 RMA Energy Limited (resigned 19 January 2017)  
 Global Gold Holdings Limited (resigned 1 February 2017)  
 Okapi Resources Limited (resigned 28 November 2017)

#### **Timothy Keating**

Non-Executive Director

*BSc*

Mr Keating joined the Group in November 2016 following the completion of the strategic investment in the Group by SGRF. Mr Keating is Head of Mining Investment Private Equity at SGRF, a sovereign wealth fund of the Sultanate of Oman. Prior to joining SGRF in 2015, Mr Keating was CEO of African Nickel Limited, a nickel sulphide development company where he grew the business through several acquisitions, project development and fund raisings. He also worked at Investec Bank for the Commodities and Resource Finance Team (2004 – 2010) and at Black Mountain Mine owned by Anglo American plc, in South Africa. He is a Non-Executive Director of Kenmare Resources plc.

Interest in Shares & Options 250,000 Fully Paid Ordinary Shares  
 500,000 Performance Rights each expiring 22 May 2022

Directorships held in other listed entities Kenmare Resources plc (from 14 October 2016)

Former directorships of listed companies in last three years None

## DIRECTORS' REPORT (CONT)

### Information on Directors (Cont)

#### **David Netherway**

Non-Executive Director  
*B.Eng (Mining), CDipAF,  
 F.Aus.IMM, F.IoM3, C.E.*

*(Appointed on 12 December 2017)*

Mr Netherway joined the Group in December 2017 and is a mining engineer with over 40 years of experience in the mining industry. He was involved in the construction and development of the New Liberty, Iduapriem, Siguiri, Samira Hill and Kiniero gold mines in West Africa and has mining experience in Africa, Australia, China, Canada, India and the Former Soviet Union. Mr Netherway served as the CEO of Shield Mining until its takeover by Gryphon Minerals. Prior to that, he was the CEO of Toronto listed Afcan Mining Corporation, a China focused gold mining company that was sold to Eldorado Gold in 2005. He was also the Chairman of Afferro Mining which was acquired by IMIC in 2013. Mr Netherway has held senior management positions in a number of mining companies including Golden Shamrock Mines, Ashanti Goldfields and Semafo Inc and is currently the Chairman of AIM and TSX-V listed Altus Strategies plc, ASX-listed Canyon Resources Ltd and TSX-V listed Kilo Goldmines Ltd. He also holds various private company directorships.

#### Interest in Shares & Options

2,122,689 Fully Paid Ordinary Shares  
 500,000 Performance Rights each expiring 22 May 2022

#### Directorships held in other listed entities

Altus Strategies plc (ALS:AIM & ALTS:TSX-V) (from August 2017)  
 Canyon Resources Ltd (CAY:ASX) (from 17 March 2014)

#### Former directorships of listed companies in last three years

Altus Global Gold Ltd (AGG-CISX) (from October 2011 to February 2016)  
 Aureus Mining Inc. (AUE:TSX & AIM) (from February 2011 to July 2016)  
 Avesoro Resources Inc. (ASO: TSX & AIM) (from 1 February 2011 to 8 January 2020)  
 Kilo Goldmines Ltd (KGL:TSX-V) (from 7 July 2011 to 16 March 2020)

#### **José Antonio Merino**

Non-Executive Director  
*B.Eng Civil Engineer*

*(Appointed on 23 May 2018)*

Mr Merino joined the Group in May 2019 and is currently the Mergers and Acquisitions Director at Sociedad Química y Minera de Chile S.A. ("SQM"). He joined SQM in 2016, prior to which he worked at EPG Partners as head of a mining private equity fund, at ASSET Chile, a Chilean boutique investment bank, and at Santander Investment. He is a qualified Civil Engineer having graduated from Pontificia Universidad Católica de Chile.

#### Interest in Shares & Options

None

#### Directorships held in other listed entities

None

#### Former directorships of listed companies in last three years

None

## DIRECTORS' REPORT (CONT)

### Joint Company Secretaries

**Henko Vos**

*B.Compt, CPA, ACIS, RCA*

Mr Vos is a member of the Governance Institute of Australia, the Australian Institute of Company Directors and Certified Practising Accountants Australia with more than 15 years' experience working within public practice, specifically within the area of corporate and accounting services both in Australia and South Africa. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors. Mr Vos is an employee of Nexia Perth, a mid-tier corporate advisory and accounting practice.

**St James's Corporate Services Limited ("SJCS")**

*(Appointed on 1 October 2018)*

SJCS is operated by co-owners, Phil Dexter and Jane Kirton (ACIS), both of whom acquired SJCS in September 2014 after having worked for SJCS since its inception in June 1998 and its former parent company in excess of 20 years.

Mr Dexter has over 40 years' experience in the company secretarial environment and has worked in the natural resources sector since 1977. During that time Mr Dexter has worked with most of the leading South African mining companies and assisted on numerous corporate transactions involving acquisitions, reorganisations and restructurings, rights offers and fund raisings.

Ms Kirton has over 20 years' experience in the company secretarial environment and qualified as a Chartered Secretary in 2007. Ms Kirton has worked with most of the leading South African mining companies and assisted on numerous corporate transactions involving acquisitions, reorganisations and restructurings, rights offers and fund raisings. Ms Kirton is an Associate of the Institute of Chartered Secretaries and Administrators.

## DIRECTORS' REPORT (CONT)

### Board and Committee Meetings Attendance

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

|                     | Board Meetings | Audit and Risk Committee Meetings | Remuneration and Nomination Committee Meetings | Health, Safety and Environment Meetings (ii) |
|---------------------|----------------|-----------------------------------|------------------------------------------------|----------------------------------------------|
| David Hathorn       | 7/7            | 4/4                               | 3/3                                            | -                                            |
| Brad Sampson        | 7/7            | -                                 | -                                              | -                                            |
| Jonathan Trollip    | 7/7            | 4/4                               | 3/3                                            | -                                            |
| Leonard Math (i)    | 3/5            | 1/1                               | -                                              | -                                            |
| Timothy Keating     | 7/7            | -                                 | -                                              | -                                            |
| David Netherway     | 6/7            | -                                 | 3/3                                            | -                                            |
| José Antonio Merino | 5/7            | -                                 | -                                              | -                                            |

(i) Meetings attended prior to ceasing to be a director on 28 June 2019.

(ii) Health, safety and environmental matters are reported on each month in management reporting to the Board and are part of each Board meeting agenda. With limited operational activity during the feasibility study phases, creating a low risk environment no separate Health, Safety and Environment Committee meetings were held during the period.

### Directors' Conflicts of Interest

The Board has formal procedures to deal with Directors' conflicts of interest. In the instance where there is a transactional conflict of interest identified, the Director would not take part in the discussion or determination of any matter in respect of which he had disclosed a transactional conflict of interest. The Board noted that whilst no transactional conflicts of interest concerning Directors arose during the year, the issue of 22,000,000 to Equity Drilling Limited for the acquisition of 2 drill rigs and ancillary equipment gave rise to a related party transaction as David Hathorn is a shareholder of the company but acknowledged that he had and continues to have no commercial or beneficial interest in the shares issued. Subsequently Equity Drilling has indicated that it will transfer the shares to an entity in which David Hathorn has no interest whatsoever.

### Directors' Service Contracts

The Chief Executive Officer is employed on an ongoing basis, which may be terminated by either party giving 6 months' notice. Each non-executive director has a letter of appointment for an initial term of 3 years. The appointment of the non-executive director may be terminated by the Company giving 1 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.

Appropriate insurance cover is maintained by the Company in respect of its Directors and Officers. During the financial year the Group agreed to pay an annual insurance premium of USD 79,413 (2018: USD 58,553) 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:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome; and
- other 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, the ASX and the JSE.



## DIRECTORS' REPORT (CONT)

### Proceedings on Behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

### Statement of disclosure of information to auditors

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

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) 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 year ended 31 December 2019, the Group incurred a loss of USD 4,202,752 (year ended 31 December 2018: USD 6,269,366) and experienced net cash outflows from operating and investing activities of USD 8,876,759 (year ended 31 December 2018: USD 23,098,170). Cash and cash equivalents totalled USD 7,578,727 at 31 December 2019 (at 31 December 2018: USD 6,187,113).

The Directors have prepared a cash flow forecast for the period ending 30 June 2021, which indicates that the Group will not have sufficient liquidity to meet its working capital requirements to the end of the going concern period, primarily being corporate costs and Definitive Feasibility Study ("DFS") costs related to the proposed DFS of DX Project. The Directors have therefore considered mitigating actions, which include completion of a capital raising in H2 2020.

As described in Notes 18 and 19 of the financial statements, the only committed costs in this period relate to the Kola DFS's payment of EUR 1.5mln in April 2020 and operating lease commitments, at total of USD 56,086, with the remaining planned expenditure largely discretionary.

The Directors are planning to raise additional capital in H2 2020 to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements. The Directors have identified a number of funding options available to the Group. The Directors note the Group has a history of successfully raising capital on the AIM and JSE, and in the past on the ASX. However, factors beyond the Company's control, including pandemic diseases such as COVID-19 (coronavirus), which affect the stock markets, may in turn have a negative impact on any fund raising.

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 Directors will continue to pursue further capital raising initiatives in order to have sufficient funds to continue the development of the DX Project and for general corporate purposes.

The ability of the Group to continue as a going concern is dependent on achieving the matters set out above as at the date approving financial statement none of this transaction are complete. 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.

Should the Directors not be successful in achieving the matters set out above, the Group 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.

## DIRECTORS' REPORT (CONT)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 actions and disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group and the undertakings included in the consolidation taken as a whole;
- the review and operations and strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement and the Directors' Report was approved by the Board of Directors on 23 March 2020 and is signed on its behalf by:



Non-Executive Chairman  
David Hathorn  
23 March 2020



Chief Executive Officer  
Brad Sampson  
23 March 2020

## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

The Board is committed to the principles of good corporate governance and to maintaining the highest standards and best practice of corporate governance. In this regard the Board has given consideration to the provisions set out in the 2018 UK Code and has taken due regard of the principles of good governance set out therein in relation to the size and stage of development of the Company. The Board has also given consideration to the ASX Corporate Governance Principles and Recommendations (ASX Corporate Governance Council, 3rd Edition).

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 Board currently comprises one executive director and five non-executive directors, including the Chairman.

Since inception, the Company has the following appropriately constituted committees, each with formally delegated duties and responsibilities set out in respective written Terms of Reference:

- Audit and Risk Committee
- Remuneration and Nomination Committee
- Health, Safety and Environmental Committee

The Company also has in place appropriate guidance, training, policies and procedures to ensure compliance with the Bribery Act 2010 and Australian and South African laws governing anti-bribery and anti-corruption.

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board recognizes the value and importance of maintaining the highest standards of corporate governance and aims to comply with the provisions set out in the 2018 UK Code. Although compliance with the 2018 UK Code is not compulsory for AIM companies, the Directors intend to apply the provisions, where practicable, so as to adhere to the highest standards of governance. Accordingly, the sections below detail how the Group has complied with the 2018 UK Code and explains the reasons for any non-compliance.

### BOARD LEADERSHIP AND COMPANY PURPOSE

#### Principles

- A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
- C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

## CORPORATE GOVERNANCE REPORT (CONT)

### BOARD LEADERSHIP AND COMPANY PURPOSE (cont)

#### Provisions

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy.</p>                                                                                                                                                                                                                                                                                                                                       | <p>The Kore strategy remains to develop a cash generative potash project in the RoC. Financing project development relies on the ongoing support of existing shareholders and ability to attract new equity finance.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>2. The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.</p>                                                                                                                                                                                                                                            | <p>Kore has 23 employees. Members of the Board periodically visit all parts of the business and interact with employees.</p> <p>The CEO meets with all employees on a monthly basis. The Board has oversight on issues raised and management actions via monthly management reports to the Board which detail any community or personnel complaints, or grievances and action management have committed to in order to resolve issues.</p> <p>Each employee's performance is reviewed annually and employee development planning within the Congolese workforce is being developed.</p>                                                                                                    |
| <p>3. In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.</p>                                                                                                                                                                                                                                                                                | <p>The Group's communication strategy requires communication with shareholders and stakeholders in an open, regular and timely manner.</p> <p>The Company's 2 largest shareholders, SGRF and SQM, are represented on the Board. In addition, the Chairman, with the CEO, has frequent face-to face meetings throughout the year with some of the major shareholders, as well as with analysts and brokers.</p> <p>non-executive directors, including the chair of each Committee, are usually available at and following general meetings of the Company when shareholders have the opportunity to ask questions on the business of the meeting and more generally on Company matters.</p> |
| <p>4. When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.</p> | <p>At the Company's AGM held on 28 June 2019, all resolutions were passed either by a show of hands or on a poll by more than 80% of the votes cast.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## CORPORATE GOVERNANCE REPORT (CONT)

### BOARD LEADERSHIP AND COMPANY PURPOSE (cont)

#### Provisions

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>5. The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective.</p> <p>For engagement with the workforce, one or a combination of the following methods should be used:</p> <ul style="list-style-type: none"> <li>• a director appointed from the workforce;</li> <li>• a formal workforce advisory panel;</li> <li>• a designated non-executive director.</li> </ul> <p>If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.</p> | <p>Refer to the section 172 Statement.</p> <p>In addition, David Netherway has been appointed as the designated non-executive director responsible for workplace engagement.</p>                                                                                                                                                                                                                                  |
| <p>6. There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>The CEO holds monthly meetings with all employees where open questioning and sharing of concerns is encouraged.</p> <p>In addition, a confidential Whistleblowing Policy is in force which allows employees to raise suspected breaches of the Code of Conduct with designated management. No employee will be disadvantaged or prejudiced in the event that a suspected breach is reported in good faith.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### BOARD LEADERSHIP AND COMPANY PURPOSE (cont)

#### Provisions

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| <p>7. The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement.</p>                                                                                               | <p>Investment agreements are in place with the 2 major shareholders, who have representatives on the board and which address influence and conflicts of interest. In addition, a register of directors' interests is maintained and updated as required. The board has formal procedures to deal with Directors' conflicts of interests. In any instance where a transactional conflict of interest is identified, the Director concerned would not take part in the discussion or determination of any matter in respect of which he had a disclosed transactional conflict of interest. During the year one transactional conflict of interest arose in respect of the issue of shares to Equity Drilling Limited, of which David Hathorn is a shareholder, although he had no commercial or beneficial interest in the shares. Subsequently Equity Drilling has indicated that it will transfer the shares to an entity in which David Hathorn has no interest whatsoever.</p> <p>At the point of all discussions relating to this transaction Mr Hathorn recused himself from that part of the board meeting</p> |
| <p>8. Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.</p> | <p>All directors have the opportunity at board meetings to raise concerns on any issues including the operation of the board or the management of the company and give their independent views on all matters being discussed. All such concerns and views are recorded in the minutes. NEDs are also able to raise any such concerns during the annual board and Chairman's internal evaluation, the results of which are disclosed in the minutes of the board meeting at which the evaluations are discussed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



## CORPORATE GOVERNANCE REPORT (CONT)

### DIVISION OF RESPONSIBILITIES

#### Principles

- F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
- G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.
- H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
- I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

#### Provisions

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| <p>9. The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.</p> | <p>David Hathorn was considered independent on appointment and, in the Board's view, continues to remain independent as he is not involved in any executive capacity, has no material business relationships with the Company nor is associated with any such material investor and has no close family or other business relationships with the Company or any of its directors or senior executives.</p> <p>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.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### DIVISION OF RESPONSIBILITIES (cont)

#### Provisions

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| <p>10. The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:</p> <ul style="list-style-type: none"> <li>• is or has been an employee of the company or group within the last five years;</li> <li>• has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;</li> <li>• has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;</li> <li>• has close family ties with any of the company's advisers, directors or senior employees;</li> <li>• holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;</li> <li>• represents a significant shareholder; or</li> <li>• has served on the board for more than nine years from the date of their first appointment</li> </ul> <p>Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.</p> | <p>The Board considers David Netherway and Jonathan Trollip to be independent as they are not involved in any executive capacity, have no business relationships with 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.</p> <p>Given the small quantum of shares held by and Performance Rights and Options awarded to each independent non-executive director the Board is of the view that these do not affect their independent judgement.</p> <p>Leonard Math was also considered to be independent during his tenure during the year for the same reasons.</p> |
| <p>11. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>During the year the board consisted of the Non-Executive Chairman, the CEO, 2 non-executive directors and 3 further independent non-executive directors. During the course of the year, 1 independent non-executive director resigned. At all times during the year at least half the Board, excluding the Non-Executive Chairman, were considered to be independent.</p>                                                                                                                                                                                                                                                                                                                    |

## CORPORATE GOVERNANCE REPORT (CONT)

### DIVISION OF RESPONSIBILITIES (cont)

#### Provisions

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| <p>12. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary.</p> | <p>In terms of the Company's Articles of Association, the Directors may appoint a person to be a director to fill a casual vacancy and may appoint from time to time any one or more of their body to be the holder of an executive office and may also remove such person from any such office.</p> <p>In addition, the Remuneration and Nomination Committee, which comprises entirely of independent non-executive directors, identifies and recommends to the Board candidates to become new Directors to fill casual vacancies as and when they arise. Further, the Committee gives full consideration to succession planning for directors, including executive directors. The Committee also reviews and recommends an appropriate remuneration policy for executives and considers the performance of any executive director against his performance objectives when considering the executive director's annual remuneration review.</p> |
| <p>13. Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.</p>                                                             | <p>In terms of the Company's Articles of Association, the Directors may appoint a person to be a director to fill a casual vacancy and may appoint from time to time any one or more of their body to be the holder of an executive office and may also remove such person from any such office.</p> <p>In addition, the Remuneration and Nomination Committee, which comprises entirely of independent non-executive directors, identifies and recommends to the Board candidates to become new Directors to fill casual vacancies as and when they arise. Further, the Committee gives full consideration to succession planning for directors, including executive directors. The Committee also reviews and recommends an appropriate remuneration policy for executives and considers the performance of any executive director against his performance objectives when considering the executive director's annual remuneration review.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### DIVISION OF RESPONSIBILITIES (cont)

#### Provisions

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| <p>14. The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.</p>                                                                                                                                                                                                                        | <p>As mentioned in Provision 9. above, the responsibilities of the Non-Executive Chairman and the CEO are clearly defined in writing. In addition, the CEO has entered into a contract of employment so that he can clearly understand the requirements of the role. Each non-executive director, including the Senior Independent non-executive director, has a Letter of Appointment in place to ensure they clearly understand the requirements of their role. Details of executive directors' service contracts and the Chairman's and non-executive directors appointment letters are provided within the Directors Report, copies of all of which are also available for inspection by request at the Company's registered office during normal business hours and at the AGM. The number of meetings of the Board and its committees and the individual attendance by directors is set out within the Directors Report.</p> |
| <p>15. When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.</p> | <p>Non-executive directors are required to disclose prior appointments and other significant commitments and are required to inform the Board of any changes or additional commitments in a timely manner. Details of the non-executive external appointments can be found on pages 26 to 30. Before accepting new appointments, non-executive directors are required to obtain approval from the Chairman and the Chairman requires approval from 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. The CEO has no other current non-executive directorships in a listed entity.</p>                                                                                                                                                                                          |
| <p>16 All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board.</p>                                                                                                                                                                                                                                                                                                          | <p>All directors have access to the advice and services of the joint company secretaries and each director, and each board committee member may take obtain independent professional advice at the Company's expense, subject to prior notification to the other non-executive directors and the joint company secretaries. The joint company secretaries are accountable directly to the Board through the Chairman. The Company currently has two (2) joint company secretaries, one based in London and one based in Australia. Both the appointment and removal of the company secretary is a matter for the whole Board.</p>                                                                                                                                                                                                                                                                                                  |

## CORPORATE GOVERNANCE REPORT (CONT)

### COMPOSITION, SUCCESSION AND EVALUATION

#### Principles

- J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.
- L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

#### Provisions

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| <p>17. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.</p> | <p>The Remuneration and Nomination Committee is comprised of Jonathan Trollip, as Chairman of the Committee, together with David Hathorn and David Netherway.</p> <p>The Remuneration and Nomination Committee Report is on pages 56 to 57 and details how the Company has complied with the relevant sections of the Code or explains the reasons for any areas of non-compliance. All newly appointed directors are provided with an induction programme which is tailored to their existing skills and experience, a legal update on directors' duties and responsibilities and one-on-one meetings with members of the senior management team are undertaken.</p> <p>The Board is informed of any material changes to governance, laws and regulations affecting the Group's business by the Chairman in conjunction with the Group's joint company secretaries.</p> |
| <p>18. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.</p>                                                                                                                                                                                      | <p>All directors are subject to annual re-election. Shareholders are provided with all material information in the notice of meetings to assist in informing the decision on whether or not to elect or re-elect a director as well as reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>19. The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.</p>                                                                           | <p>David Hathorn has been the Non-Executive Chairman for approximately 2 and a half years, having been appointed a Director and Non-Executive Chairman on 25 August 2017.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## CORPORATE GOVERNANCE REPORT (CONT)

### COMPOSITION, SUCCESSION AND EVALUATION (cont)

#### Provisions

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| <p>20. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>No such appointments were made during the year.</p>                                                                                                                                                                                                                                                                                                                                  |
| <p>21. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.</p>                                                                                                                                                                                                                                                                                                                          | <p>During the year the Company undertook an internal evaluation of the board and its committees. In addition, an appraisal of the Non-Executive Chairman's performance was led by Jonathan Trollip, as the Senior Independent Non-Executive Director at that time.</p>                                                                                                                  |
| <p>22. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Each director participated in the Board and Committee evaluations, as applicable, the results of which were discussed at a board meeting attended by all directors. No significant areas of development were identified that required appropriate action to be taken.</p>                                                                                                            |
| <p>23. The annual report should describe the work of the nomination committee, including:</p> <ul style="list-style-type: none"> <li>• the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;</li> <li>• how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;</li> <li>• the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and</li> <li>• the gender balance of those in the senior management and their direct reports.</li> </ul> | <p>The Remuneration and Nomination Committee Report on pages 56 to 57 sets out, inter alia, the objectives of the Committee, the processes that are used in relation to appointments, its approach to succession planning, how the board evaluation has been conducted, the policy on diversity and inclusion and the gender balance of senior management and their direct reports.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT, RISK AND INTERNAL CONTROL

#### Principles

- M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.<sup>7</sup>
- N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.
- O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

#### Provisions

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| <p>24. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.</p> | <p>The Audit and Risk Committee comprises of 2 members, both of whom are independent Non-Executive Directors, of which David Netherway is considered by the Board to have recent and relevant financial experience. During the year, Leonard Math was also a member and Chairman of the Committee but as he did not seek re-election as a director at the AGM held on 28 June 2019 he ceased to be a member of the Committee with effect from that date.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT, RISK AND INTERNAL CONTROL (cont)

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| <p>25. The main roles and responsibilities of the audit committee should include:</p> <ul style="list-style-type: none"> <li>• monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;</li> <li>• providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;</li> <li>• reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;</li> <li>• monitoring and reviewing the effectiveness of the company's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the board;</li> <li>• conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;</li> <li>• reviewing and monitoring the external auditor's independence and objectivity;</li> <li>• reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;</li> <li>• developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and</li> <li>• reporting to the board on how it has discharged its responsibilities.</li> </ul> | <p>The main roles and responsibilities of the Committee are set out in its Terms of Reference, a copy of which can be found on the Company's website.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT, RISK AND INTERNAL CONTROL (cont)

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| <p>26. The annual report should describe the work of the audit committee, including:</p> <ul style="list-style-type: none"> <li>○ the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed;</li> <li>○ an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;</li> <li>○ in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);</li> <li>○ where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and</li> <li>○ an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.</li> </ul> | <p>Details of the work of the Committee during the year are set out in the Audit and Risk Committee Report on pages 54 to 55.</p>                                                      |
| <p>27. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>The Directors' Responsibility Statement is set out on page 33.</p>                                                                                                                  |
| <p>28. The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>The Board has carried out a robust assessment of the Company's emerging and principal risks, details of which are set out within the Review of Operations and Strategic Report.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT, RISK AND INTERNAL CONTROL (cont)

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| <p>29. The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p>                                     | <p>Kore Potash has a Risk Matrix which is reviewed by the Board annually/on a regular basis. The Board considers the Company's risk management and internal control systems to be sound and effective.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>30. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p> | <p>The CEO and CFO provide, at the end of each reporting 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 implemented in accordance with 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.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT, RISK AND INTERNAL CONTROL (cont)

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| <p>31. Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p> | <p>The Directors have prepared a cash flow forecast for the period ending 30 June 2021, which indicates that the Group will not have sufficient liquidity to meet its working capital requirements to the end of the going concern period, primarily being corporate costs, and Definitive Feasibility Study costs related to the DX Project. The management will continue optimisation of the DX DFS budget and present it to the Board for further discussion. The Directors have therefore considered mitigating actions, which include completion of a capital raising in H2 2020.</p> <p>As described in Note 18 of the financial statements, the only committed costs in this period relate to the Kola DFS's payment of EUR 1.5m in April 2020 and operating lease commitments, at total of USD 56,086 with the remaining planned expenditure largely discretionary.</p> <p>The Directors are planning to raise additional capital in H2 2020 to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements. The Directors have identified a number of funding options available to the Group. The Directors note the Group has a history of successfully raising capital on the AIM and JSE, and in the past on the ASX.</p> <p>The Directors have reviewed the budgets, projected cash flows, principal risks and other relevant information for a period of 1.5 years from the balance sheet date. The forecasts indicate that the Group will require funding in order to fund its working capital requirements, primarily being corporate costs and DFS costs related to the DX Project. 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. The Directors consider that a period of 1.5 years is appropriate as the assumptions made in the review about market conditions are expected to remain valid over this period. The Directors have also carried out a robust assessment of the principle risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, as documented in the Review of Operations and Strategic Report on pages 16 and 17, which has informed the assessment of viability.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION

#### Principles

- P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.
- Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management<sup>10</sup> remuneration should be established. No director should be involved in deciding their own remuneration outcome.
- R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

#### Provisions

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| <p>32. The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.</p> | <p>The Remuneration and Nomination is comprised of Jonathan Trollip, as Chairman, together with David Netherway and David Hathorn, who was considered independent on his appointment as a Director and Chairman of the board.</p> <p>Jonathan Trollip has had relevant experience of listed company directors and senior executive remuneration in his former capacity as chairman of ASX listed Spicers Limited and in his current role as non-executive director of ASX listed Propel Funeral Partners Limited</p> |
| <p>33. The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.</p>                            | <p>The Remuneration and Nomination met 3 times during the year to review the remuneration of executive directors and senior management including new employees and those departing. It sought to align incentives with Company performance and achieving stated objectives. In relation to these matters it made recommendations to the Board which the Board accepted.</p>                                                                                                                                          |

## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION (Cont)

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| <p>34. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.</p>                                   | <p>The remuneration of non-executive directors is determined by the board, taking cognisance of the Company's Articles of Association and their time commitment and responsibilities. Additional remuneration is paid to the Chairman of the Board and the chair of each Board Committee in order to reflect the time commitment and responsibilities required for those roles.</p> <p>The Non-Executive Chairman has been awarded Share Options, as approved by shareholders at the June 2019 AGM. The Share Options have been structured to recognise the Company's current state of development and the key project milestones that are critical to the success of the Company, which may result in the Share Options being exercisable within three years from award. Following the achievement of these project milestones and the expiration and/or satisfaction of the conditions of the Share Options, the Board intends to adopt a new incentive scheme that will be more in line with the recommendations of the 2018 UK Code.</p> <p>Certain non-executive Directors are entitled to Performance Rights which unconditionally vest on the first, second and third anniversaries of the Company's Admission to AIM i.e. on 29 March 2019, 21 March 2020 and 29 March 2023, in accordance with the Company's AIM Admission Document dated 26 March 2018. In order to subscribe for the shares in respect of the vested Performance Rights each non-executive director is required to subscribe US\$0.001 per share.</p> |
| <p>35. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.</p> | <p>An external remuneration consultant is appointed as and when required to advise the Committee. During the year h2glenfern Remuneration Advisory ("h2glen") were appointed to provide advice on potential remuneration arrangements of the CEO, who was appointed in May 2018, in view of developments at the Company and in particular its Kola project, since his appointment. h2glen has no other connection with the Company or its individual directors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION (Cont)

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| <p>36. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.</p>             | <p>During the year an amended Remuneration Package for the CEO was recommended by the Remuneration and Nomination and subsequently approved by the Board, which provided short-term and long-term incentives and performance related awards. In terms of the Long-Term Incentive Plan (LTIP) the existing 17.6 million performance shares were cancelled and replaced by options over 26.9 million shares with a strike price of 2.2 per share. The options vest on the first, second and third anniversaries of grant and lapse five years from award.</p>      |
| <p>37. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.</p>                                                                                                                                                                                  | <p>Details of the Company's remuneration scheme and policies are set out within the Remuneration Report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>38. Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.</p>                        | <p>Details of the pension arrangements, including contribution rates, for the CEO are set within the Remuneration Report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>39. Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.</p> | <p>The CEO is employed on an ongoing basis, which may be terminated by either party giving 6 months' notice. Each non-executive director has a letter of appointment for an initial term of 3 years (with the exception of the Chairman whose agreement continues until terminated by the Board or in accordance with its terms). The appointment of the non-executive director may be terminated by the Company giving 1 month notice, by the non-executive director by immediate notice and also in accordance with the Company's Articles of Association.</p> |

## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION (Cont)

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| <p>40. • When determining executive director remuneration policy and practices, the remuneration committee should address the following:</p> <ul style="list-style-type: none"> <li>• clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;</li> <li>• simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;</li> <li>• risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;</li> <li>• predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;</li> <li>• proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and</li> <li>• alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.</li> </ul> | <p>The executive director's remuneration was subject to detailed consideration by the Remuneration and Nomination when the current CEO was employed in 2018 and is reflected in the CEO's employment contract. During 2019 the Remuneration and Nomination gave further consideration to what modification should be made to the LTIP provisions applicable to the CEO based on the desire for clarity, simplicity, transparency and measurable outcomes. The results of those considerations are set out in section 36 above.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION (Cont)

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| <p>41. There should be a description of the work of the remuneration committee in the annual report, including:</p> <ul style="list-style-type: none"> <li>• an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics; • reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;</li> <li>• a description, with examples, of how the remuneration committee has addressed the factors in Provision 40;</li> <li>• whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;</li> <li>• what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;</li> <li>• what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and</li> <li>• to what extent discretion has been applied to remuneration outcomes and the reasons why.</li> </ul> | <p>The Remuneration and Nomination Report on pages 56 to 57 sets out, inter alia the objectives of the Committee and a description of the work carried out during the year.</p> |
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## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (“the Committee”) comprises 2 members, both of whom are independent Non-Executive Directors, David Netherway is considered by the Board to have recent and relevant financial experience. During the year under review, Leonard Math was also a member and Chairman of the Committee but as he did not seek re-election of the AGM held on 28 June 2019 he ceased to be a member of the Committee with effect from that date.

The Committee meets formally at least twice a year and otherwise as required and also meets with the Company’s external auditors at least twice a year.

The 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 judgments 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 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 Committee also ensures that appropriate procedures, resources and controls are in place to comply with the AIM Rules for Companies and the Market Abuse Regulations, monitors compliance thereof and seeks to ensure that the Company and its nominated advisor are in contact on a regular basis.

The Committee also helps to address risk management, and 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 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.

## CORPORATE GOVERNANCE REPORT (CONT)

### AUDIT AND RISK COMMITTEE (CONT)

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 shareholders, employees, customers, suppliers, creditors, consumers and the wider community.

The Group does not currently have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks with senior personnel and Directors. Once the Group is at a size and scale that warrants an Internal Auditor, the Board will be responsible for the appointment and overseeing of the Internal Auditor.

The Group currently is not subject to any material exposure to environmental and social sustainability risks. The principal areas of risk for the Company are detailed on pages 16 and 17 of the Annual Report.

During the year, the Committee reviewed the planning of the 2019 annual report including consideration of the financial statements and going concern (including material uncertainty), impairment assessment of the exploration and evaluation assets, other key judgments and estimates, value proposition and business model. The Committee received and considered memoranda from management regarding these matters, and also took into account the views of the external auditor. The Committee concluded that no impairment charge was necessary for the exploration and evaluation assets, and that the going concern basis is the appropriate method to prepare the annual report on.

During the year Deloitte LLP tendered its resignation as the Company's auditors with effect from the conclusion of the Annual General Meeting. Deloitte indicated that there were no matters connected with their ceasing to hold office that they consider need to be brought to the attention of members or creditors of the Company. The Company undertook a tender of its external audit process, following which the Directors proposed, subject to Shareholder approval, the appointment of BDO LLP, which had indicated its willingness to be appointed as the Company's auditor. Accordingly, a resolution was proposed at the AGM and passed by the requisite majority. As a consequence, BDO LLP became the Company's auditors with effect from 28 June 2019.

In order to ensure the independence and objectivity of the external auditor, the Committee has a policy, in place since the Company's inception, 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 Committee.

The Board via the Committee is satisfied that the provision of non-audit services during the year as disclosed in Note 19 is compatible with the Financial Reporting Council's Ethical Standard in the UK as well as other general standard of independence for auditors. The Directors are satisfied that non-audit services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence under all relevant independence rules.

The Committee assesses the quality of the external audit annually and considers the performance of BDO LLP and its associates taking into account the Committee's own assessment, feedback from senior finance personnel and views from BDO LLP and its associates on their performance as detailed in a report of their audit findings at the year end, which they presented to the Committee at its meeting in March 2020. Based on this review, the Committee was satisfied with the effectiveness of the audit for the year ended 31 December 2019.

## CORPORATE GOVERNANCE REPORT (CONT)

### REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (“the Committee”) has three members, two of whom are independent Non-Executive Directors, including the chair, Jonathan Trollip. The Committee also comprises David Netherway and David Hathorn.

The 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;
- 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.

The Committee undertakes a detailed selection process as per the Company’s 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, police clearance certificate and bankruptcy to ensure that the Board remains appropriate for that of an AIM, ASX or JSE quoted company.

In addition, the 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 director and Chairman and considering the Group’s incentive schemes.

#### Directors’ Remuneration and Share Option Schemes

The non-executive directors (other than José Antonio Merino, as he is precluded by SQM) have received a one-off award of Performance Rights under the Company’s Performance Rights Plan which entitles the holder to one ordinary share on vesting. The award of Performance Rights to the non-executive directors was approved by shareholders at the June 2019 AGM. The Performance Rights are not subject to any performance criteria. Given the small quantum of Performance Rights awarded to each non-executive director, the Board is of the view that these Performance Rights do not affect the independent judgement of the independent non-executive directors.

The Non-Executive Chairman and CEO have been awarded Share Options, as approved by shareholders at the June 2019 AGM. The Share Options have been structured to recognise the Company’s current state of development and the key project milestones that are critical to the success of the Company, which may result in the Share Options being exercisable within three years from award. Following the achievement of these project milestones and the expiration and/or satisfaction of the conditions of the Share Options, the Board intends to adopt a new incentive scheme that will be more in line with the recommendations of the 2018 UK Code.

#### Diversity Policy

The Group is committed to an inclusive workplace that embraces and promotes diversity, while respecting International, Sovereign, UK, South African, RoC and Australian 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 the individual differences between people add to the collective skills and experience of the Group and ensure it benefits by selecting from all available talent.

## CORPORATE GOVERNANCE REPORT (CONT)

### Directors' Remuneration and Share Option Schemes (cont)

Given the Group's size, early stage of development and relatively small number of employees (36 average number of employees in 2019 of which 7 are females), the Group is yet to define measurable objectives for achieving diversity targets, and expects to set in place a range of objectives that are consistent with its growth strategy in future.

#### Group and Individual Expectations

- Ensure diversity is incorporated into the behaviours and practises 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.

#### Evaluation of Senior Executives

Arrangements put in place by the Board to monitor the ongoing 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 Executive's individual performance and overall business measures are undertaken progressively and periodically throughout the financial year.

### HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Health, Safety and Environmental Committee ("the Committee") is chaired by David Netherway and comprises David Hathorn, Brad Sampson and Gavin Chamberlain (COO) and usually meets formally at least twice a year and at such other times as required. However, as health, safety and environmental matters are reported on each month in management reporting to the Board and are part of each Board meeting agenda and with limited operational activity during the feasibility study phases, creating a low risk environment, no separate Committee meetings were held during the year.

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities with respect to health, safety and environmental matters affecting the Group, including recommending various policies and policy changes in relation to these areas to be adopted by the Group, reviewing the compliance status and any material non-compliance and, in the event of an incident, reviewing the incident and considering the remedial actions being taken.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report

This Remuneration Report sets out information about the remuneration of Kore Potash's key management personnel for the financial year ended 31 December 2019. The term 'key management personnel' 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 (KMP)
- remuneration policy
- relationship between the remuneration policy and company performance
- key terms of employment contracts
- remuneration of KMP

### KMP of the Company and the Group

This report details the nature and amount of remuneration for the KMP of the Group. KMP during the financial year 2019 were:

#### Executive Directors

Brad Sampson(ii) Chief Executive Officer (appointed on 4 June 2018)

#### Non-Executive Directors

David Hathorn (i) Non-Executive Chairman (appointed on 20 November 2015)

Jonathan Trollip (iii) Non-Executive Director (appointed on 21 April 2016)

Leonard Math (iii) Non-Executive Director (resigned 28 June 2019)

Timothy Keating (iii) Non-Executive Director (appointed on 15 November 2016)

David Netherway Non-Executive Director (appointed on 12 December 2017)

José Antonio Merino Non-Executive Director (appointed on 23 May 2018)

#### Executives

Henko Vos Joint Company Secretary (appointed on 16 November 2016)

SJCS Joint Company Secretary (appointed on 1 October 2018)

Andrey Maruta (v) Chief Financial Officer (appointed on 21 September 2019)

John Crews Chief Financial Officer (resigned 21 November 2019)

Julien Babey Business Development and Head of RoC (resigned on 15 November 2019)

Gavin Chamberlain Chief Operating Officer (appointed 1 October 2017)

Guy de Grandpré (iv) Country Manager - RoC (appointed on 12 February 2019)

(i) David Hathorn was appointed as the director of Kore Potash plc on the date of incorporation of the Company on 25 August 2017.

(ii) Brad Sampson replaced Sean Bennett as Chief Executive Officer on 4 June 2018.

(iii) In accordance with the Scheme of Arrangement between Kore Potash Limited and its shareholders, Jonathan Trollip, Leonard Math, Timothy Keating were appointed as the directors of Kore Potash plc on 17 November 2017.

(iv) Guy de Grandpré replaced Julien Babey as Country Manager - RoC on 12 February 2019.

(v) Andrey Maruta replaced John Crews as Chief Financial Officer on 23 September 2019.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### *Remuneration Policy*

The remuneration policy of Kore Potash 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 and Nomination 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 and the Company's financial capacity constraints. Independent external advice is sought when required. During the financial year, independent external advice was sought on appropriate remuneration of directors to better reflect market practice for comparable companies listed on AIM, and this resulted during the financial year in the implementation of revised remuneration arrangements for all non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group, although to assist with the Company's cash position some non-executive directors have agreed to receive a portion of their fees by way of Company shares rather than cash. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. The Board has adopted the Kore Potash Performance Rights Plan to establish an 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.



## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Key Terms of Employment Contracts with Executive KMPs

Key Terms of Employment Contracts for the financial year ending 31 December 2019:

| Name                                                                           | Base Salary per Annum | Term of Agreement | Notice Period         |
|--------------------------------------------------------------------------------|-----------------------|-------------------|-----------------------|
| Brad Sampson (Chief Executive Officer, appointed 4 June 2018)                  | USD 550,000           | No fixed term     | 6 month notice period |
| John Crews (Chief Financial Officer) (resigned 21 November 2019)               | USD 244,880           | No fixed term     | 3 month notice period |
| Andrey Maruta (Chief Financial Officer, appointed 23 September 2019)           | GBP 150,000           | No fixed Term     | 3 month notice period |
| Julien Babey (Business Development and Head of RoC, resigned 15 November 2019) | USD 231,132           | No fixed term     | 3 month notice period |
| Guy de Grandpre (Country Manager - RoC, appointed 12 February 2019)            | USD 260,000           | No fixed Term     | 3 month notice period |
| Gavin Chamberlain (Chief Operating Officer)                                    | USD 280,500           | No fixed term     | 3 month notice period |

#### 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 (except via options and performance rights under the Group's performance rights plan) or retirement allowances. The fees are inclusive of superannuation. The Chairman does not receive additional fees for participating in or chairing 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 reviewed with effect from 1 April 2019.

|                                           | Base Salary Per Annum |
|-------------------------------------------|-----------------------|
| <b>Base fees</b>                          |                       |
| Chairman                                  | USD 156,000           |
| Senior independent non-executive director | USD 66,500            |
| Other non-executive directors             | USD 56,000            |
| <b>Additional fees</b>                    |                       |
| Audit and risk committee – Chair          | USD 7,000             |
| Audit and risk committee – member         | -                     |
| Remuneration and nomination – Chair       | USD 7,000             |
| Remuneration and nomination – member      | -                     |
| Health, safety and environmental – Chair  | USD 7,000             |
| Health, safety and environmental – member | -                     |

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. 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 54 to 56.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### KMP Remuneration

The remuneration for each Director and KMP of the Group during the year ended 31 December 2019 was as follows:

#### 1 January 2019 to 31 December 2019 single figure table

|                                | Short-Term Benefits      |                     |                             | Post-Employment Benefits | Options / Performance Rights (i)<br>USD | Total<br>USD     |
|--------------------------------|--------------------------|---------------------|-----------------------------|--------------------------|-----------------------------------------|------------------|
|                                | Fees/Basic Salary<br>USD | Annual Bonus<br>USD | Termination benefits<br>USD | Superannuation<br>USD    |                                         |                  |
| <i>Executive Directors</i>     |                          |                     |                             |                          |                                         |                  |
| Brad Sampson                   | 550,000                  | 50,397              | -                           | -                        | 442,813                                 | 1,043,210        |
| <i>Non-Executive Directors</i> |                          |                     |                             |                          |                                         |                  |
| David Hathorn                  | 156,000                  | -                   | -                           | -                        | 171,195                                 | 327,195          |
| Jonathan Trollip               | 65,113                   | -                   | -                           | 3,195                    | 42,597                                  | 110,905          |
| Leonard Math (iii)             | 31,500                   | -                   | -                           | -                        | 87,898                                  | 119,398          |
| Timothy Keating                | 55,992                   | -                   | -                           | -                        | 23,010                                  | 79,002           |
| David Netherway                | 71,750                   | -                   | -                           | -                        | 22,838                                  | 94,588           |
| José Antonio Merino            | 55,992                   | -                   | -                           | -                        | -                                       | 55,992           |
|                                | <b>986,347</b>           | <b>50,397</b>       | <b>-</b>                    | <b>3,195</b>             | <b>790,351</b>                          | <b>1,830,290</b> |
| <i>Executives</i>              |                          |                     |                             |                          |                                         |                  |
| Henko Vos (ii)                 | 22,486                   | -                   | -                           | -                        | -                                       | 22,486           |
| SJCS                           | 72,257                   | -                   | -                           | -                        | -                                       | 72,257           |
| John Crews (iv)                | 224,473                  | -                   | 25,347                      | -                        | 58,442                                  | 308,262          |
| Julien Babey (v)               | 211,871                  | -                   | 47,115                      | -                        | 70,691                                  | 329,717          |
| Gavin Chamberlain              | 286,110                  | -                   | -                           | -                        | 55,658                                  | 341,768          |
| Andrey Maruta (vi)             | 48,171                   | -                   | -                           | -                        | -                                       | 48,171           |
| Guy de Grandpre (vii)          | 216,627                  | -                   | -                           | -                        | -                                       | 216,627          |
|                                | <b>1,081,995</b>         | <b>-</b>            | <b>72,462</b>               | <b>-</b>                 | <b>184,791</b>                          | <b>1,339,248</b> |
| <b>Total</b>                   | <b>2,068,342</b>         | <b>50,397</b>       | <b>72,462</b>               | <b>3,195</b>             | <b>975,142</b>                          | <b>3,169,538</b> |

- (i) Options as share-based payment arrangements and performance rights granted under the STIP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.
- (ii) Nexia Perth Pty Ltd has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Vos is currently employed by Nexia Perth.
- (iii) Resigned on 28 June 2019 as non-executive director.
- (iv) Ceased to be a non-executive director on 28 June 2019. His severance pay was paid during the prior year ended 31 December 2019.
- (v) Resigned on 15 November 2019 as Head of Business Development and Head of ROC.
- (vi) Appointed Chief Financial Officer on 21 September 2019.
- (vii) Appointed Head Manager of the ROC on 12 February 2019

Brad Sampson was the highest paid Director during the 2019 year and details of his remuneration are disclosed above.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### KMP Remuneration

The remuneration for each Director and KMP of the Group during the year ended 31 December 2018 was as follows:

#### 1 January 2018 to 31 December 2018 single figure table

|                                | Short-Term Benefits      |                     |                         | Post-Employment Benefits | Options / Performance Rights (i)<br>USD | Total<br>USD     |
|--------------------------------|--------------------------|---------------------|-------------------------|--------------------------|-----------------------------------------|------------------|
|                                | Fees/Basic Salary<br>USD | Annual Bonus<br>USD | Benefits in Kind<br>USD | Superannuation<br>USD    |                                         |                  |
| <i>Executive Directors</i>     |                          |                     |                         |                          |                                         |                  |
| Brad Sampson (ii)              | 317,455                  | -                   | -                       | -                        | 195,766                                 | 513,221          |
| Sean Bennett (iii)             | 457,030                  | -                   | -                       | -                        | 176,020                                 | 633,050          |
| <i>Non-executive directors</i> |                          |                     |                         |                          |                                         |                  |
| David Hathorn                  | 117,000                  | -                   | -                       | -                        | 307,333                                 | 424,333          |
| Jonathan Trollip               | 63,720                   | -                   | -                       | 6,050                    | 44,541                                  | 114,311          |
| Leonard Math                   | 58,989                   | -                   | -                       | -                        | 32,660                                  | 91,649           |
| Timothy Keating                | 53,818                   | -                   | -                       | -                        | 21,125                                  | 74,943           |
| David Netherway                | 62,330                   | -                   | -                       | -                        | 21,125                                  | 83,455           |
| José Antonio Merino (iv)       | 32,662                   | -                   | -                       | -                        | -                                       | 32,662           |
| Pablo Altimiras (v)            | 21,183                   | -                   | -                       | -                        | -                                       | 21,183           |
|                                | <b>1,184,187</b>         | <b>-</b>            | <b>-</b>                | <b>6,050</b>             | <b>798,570</b>                          | <b>1,988,807</b> |
| <i>Executives</i>              |                          |                     |                         |                          |                                         |                  |
| Henko Vos (vi)                 | 47,898                   | -                   | -                       | -                        | -                                       | 47,898           |
| SJCS (vii)                     | 14,785                   | -                   | -                       | -                        | -                                       | 14,785           |
| John Crews                     | 245,735                  | -                   | -                       | -                        | 46,744                                  | 292,479          |
| Julien Babey                   | 231,939                  | -                   | -                       | -                        | 84,128                                  | 316,067          |
| Gavin Chamberlain              | 281,481                  | -                   | -                       | -                        | 68,665                                  | 350,146          |
| Lawrence Davidson (viii)       | -                        | -                   | -                       | -                        | (17,065)                                | (17,065)         |
| Francesca Wilson (ix)          | 11,134                   | -                   | -                       | -                        | -                                       | 11,134           |
|                                | <b>832,972</b>           | <b>-</b>            | <b>-</b>                | <b>-</b>                 | <b>182,472</b>                          | <b>1,015,444</b> |
| <b>Total</b>                   | <b>2,017,159</b>         | <b>-</b>            | <b>-</b>                | <b>6,050</b>             | <b>981,042</b>                          | <b>3,004,251</b> |

(viii) Options as share-based payment arrangements and performance rights granted under the STIP, LTIP and other schemes are expensed over the vesting period, which includes the years to which they relate and their subsequent vesting periods.

(ix) Appointed on 4 June 2018.

(x) Resigned on 4 June 2018. Included in Mr Bennett's basic salary is his severance pay of USD 325,705, included above.

(xi) Appointed on 23 May 2018.

(xii) Resigned on 23 May 2018.

(xiii) Nexia Perth Pty Ltd has been engaged to provide accounting, administrative and company secretarial services on commercial terms. Mr Vos is currently employed by Nexia Perth.

(xiv) Appointed on 1 October 2018. SJCS has been engaged to provide company secretarial services on commercial terms. SJCS is operated by co-owners Mr Phil Dexter and Ms Jane Kirton.

(xv) Resigned on 25 January 2018 as joint company secretary. His severance pay was paid during the prior year ended 31 December 2017.

(xvi) Resigned on 30 September 2018. FKW Consulting Ltd was engaged to provide company secretarial services on commercial terms. Mrs Francesca Wilson was employed by FKW Consulting Ltd.

Sean Bennett was the highest paid Director during the 2018 year and details of his remuneration are disclosed above.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

##### *Employee Share Option Plan and Employee Performance Rights Plan*

Kore Potash operates an ownership-based scheme for executives and senior employees of the Group. In accordance with the provisions of the plans, as approved by shareholders at a previous general meeting, executives and senior employees may be granted performance rights and/or options to purchase parcels of ordinary shares at an exercise price determined by the Board based on a recommendation by the Remuneration and Nomination Committee.

Each employee share option converts into one ordinary share of Kore Potash on 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 right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Each employee performance rights will be converted into one ordinary share of Kore Potash 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 right to dividends nor voting rights.

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

#### **Summary information for Options as SBP arrangements in existence during 2019**

During the financial year, the following options as SBP arrangements for KMP and other personnel were in existence:

|                      | Grant Date | Vesting Date | Number of Options | Expiry Date | Fair Value at Grant Date | Exercise Price |
|----------------------|------------|--------------|-------------------|-------------|--------------------------|----------------|
| Option Series 22 *   | 9/04/2014  | 10/04/2014   | 2,169,671         | 15/04/2019  | AUD 0.1242               | AUD 0.33       |
| Option Series 23 *   | 9/04/2014  | 10/04/2015   | 1,760,778         | 15/04/2019  | AUD 0.1391               | AUD 0.33       |
| Option Series 24 *   | 9/04/2014  | 10/04/2016   | 1,760,777         | 15/04/2019  | AUD 0.1522               | AUD 0.33       |
| Option Series 25 *   | 12/05/2014 | 10/04/2014   | 333,333           | 15/04/2019  | AUD 0.0948               | AUD 0.33       |
| Option Series 26 *   | 12/05/2014 | 10/04/2015   | 333,333           | 15/04/2019  | AUD 0.1073               | AUD 0.33       |
| Option Series 27 *   | 12/05/2014 | 10/04/2016   | 333,334           | 15/04/2019  | AUD 0.1194               | AUD 0.33       |
| Option Series 28 *   | 30/05/2014 | 10/04/2014   | 500,000           | 26/06/2019  | AUD 0.1177               | AUD 0.33       |
| Option Series 29 *   | 30/05/2014 | 10/04/2015   | 500,000           | 26/06/2019  | AUD 0.1303               | AUD 0.33       |
| Option Series 30 *   | 30/05/2014 | 10/04/2016   | 500,000           | 26/06/2019  | AUD 0.1432               | AUD 0.33       |
| Option Series 31 **  | 27/06/2019 | Refer below  | 17,200,000        | 27/06/2028  | GBP 0.0681               | GBP 0.11       |
| Option Series 32 **  | 27/06/2019 | Refer below  | 4,000,000         | 27/06/2020  | GBP 0.0364               | GBP 0.11       |
| Option Series 33 *** | 19/07/2019 | 19/07/2022   | 26,900,000        | 19/07/2024  | GBP0.007                 | GBP 0.022      |

\* Option Series expired during the financial year.

\*\* These options were issued to Brad Sampson (Option Series 31) and David Hathorn (Option Series 32). The vesting conditions for these Options include milestones being achieved in relation to the Kola Project.

\*\*\* Option series 33 were issued as a replacement for Option series 31 in the year. These were approved at the AGM on 28 June 2019.

Unless otherwise indicated above, there are no performance criteria that need to be met in relation to options granted above before the beneficial interest vests in the recipient. However, the executives and senior employees receiving the options meet the vesting conditions only if they continue to be employed with the Company at the vesting date.

Please refer to Note 22 to the financial statements for further details of the options granted as detailed above.

Options Series 31 and 32 were granted as compensation during the year. Further details of the performance conditions for these options can also be found in Note 22 to the financial statements. Option series 31 were cancelled in the period and replaced with Option Series 33.

There was no exercise of options during the year.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

#### Summary information for Performance Rights as SBP arrangements in existence during 2019

During the financial year, the following performance rights as SBP arrangements for KMP and other personnel were in existence:

|                     | Grant Date | Vesting Date       | Number of Rights | Expiry Date | Fair Value at Grant Date |
|---------------------|------------|--------------------|------------------|-------------|--------------------------|
| Rights Series 6 *   | 17/09/2015 | <i>Refer below</i> | 2,666,090        | 16/09/2019  | AUD 0.1510               |
| Rights Series 7     | 07/12/2015 | <i>Refer below</i> | 5,000,000        | 06/12/2020  | AUD 0.1753               |
| Rights Series 9     | 20/11/2015 | <i>Refer below</i> | 8,500,000        | 01/03/2021  | AUD 0.1867               |
| Rights Series 12 *  | 29/05/2017 | <i>Refer below</i> | 2,000,000        | 31/05/2022  | AUD 0.1700               |
| Rights Series 13 *  | 31/05/2017 | <i>Refer below</i> | 660,000          | 31/05/2022  | AUD 0.1700               |
| Rights Series 14 *  | 29/05/2017 | <i>Refer below</i> | 4,482,005        | 31/05/2022  | AUD 0.1700               |
| Rights Series 15    | 29/05/2017 | <i>None vested</i> | 11,734,853       | 31/05/2022  | AUD 0.17 / AUD 0.104     |
| Rights Series 16*** | 27/06/2019 | <i>Refer below</i> | 1,500,000        | 22/05/2022  | GBP 0.0564               |
| Rights Series 17*** | 27/06/2019 | <i>Refer below</i> | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 18*** | 27/06/2019 | <i>Refer below</i> | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 19*** | 27/06/2019 | <i>Refer below</i> | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 20*** | 27/06/2019 | <i>Refer below</i> | 750,000          | 22/05/2022  | GBP 0.0564               |

The above Performance Rights have nil exercise price.

\* Vested, converted to fully paid ordinary shares and/or cancelled during the year – Please refer to Note 22 to the financial statements for more details of conversions and cancellations.

\*\*\* these series were partially converted in the year

There are various performance criteria that need to be met in relation to performance rights granted above before the beneficial interest vests in the recipient. However, if the executives and senior employees receiving the performance rights cease to be employed by the Company, the Board of Directors will determine if the performance rights vest immediately, are cancelled or vest upon the vesting condition being achieved.

As a result of Leonard Math ceasing to be a director post the AGM held on 28 June 2019, of Performance Right Series 18: 437,500 of Performance Right Series 18 were cancelled and 312,500 were converted into ordinary share capital.

There was no exercise of performance rights during the year.

Further details of the cancellation of Rights Series 8, 10 and 11, performance conditions for Rights Series 16 to 20 (inclusive), and various vesting dates for all performance rights can be found in Note 22 to the financial statements.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

##### Reconciliation of options as SBP arrangements and performance rights held by KMP

The table below shows a reconciliation of options as SBP arrangements and performance rights held by each KMP from the beginning to the end of the 2019 year.

The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed. The minimum value of options yet to vest is nil, as the options will be forfeited or cancelled if the vesting conditions are not met.

The amount expensed during the year denotes the amount expensed over the vesting period of the options or performance rights, and the percentage indicated denotes the proportion of this expense over the KMP's total compensation, and therefore the proportion of the KMP's total compensation that is linked to the Group's performance for the 2019 year.

For further information on each option and performance rights series, please refer to Note 22 to the financial statements.

| Name, option or rights series number,<br>grant date, amount granted on<br>grant date and issue date | Balance at the<br>start of the year |            | Granted or<br>allocated<br>as compe<br>n-sation |            |            | Exer-<br>cised | Cancelled<br>or expired<br>(iv) | Other<br>changes<br>(ii) | Balance at the<br>end of the year |          | Max value<br>yet to vest | Expensed<br>in 2018<br>Vested<br>and exer-<br>cisable |            |         |         |
|-----------------------------------------------------------------------------------------------------|-------------------------------------|------------|-------------------------------------------------|------------|------------|----------------|---------------------------------|--------------------------|-----------------------------------|----------|--------------------------|-------------------------------------------------------|------------|---------|---------|
|                                                                                                     | Vested<br>and exer-<br>-cisable     | Unvested   |                                                 | Vested     |            |                |                                 |                          | Vested<br>and exer-<br>-cisable   | Unvested |                          | No                                                    | %          |         |         |
|                                                                                                     | No                                  | No         |                                                 | No         | %          |                |                                 |                          | No                                | No       |                          |                                                       |            |         |         |
|                                                                                                     | No                                  | No         |                                                 | No         | %          |                |                                 |                          | No                                | No       |                          |                                                       |            |         |         |
| <b>Executive Directors</b>                                                                          |                                     |            |                                                 |            |            |                |                                 |                          |                                   |          |                          |                                                       |            |         |         |
| Brad Sampson (i)                                                                                    |                                     |            |                                                 |            |            |                |                                 |                          |                                   |          |                          |                                                       |            |         |         |
| <i>Options</i>                                                                                      |                                     |            |                                                 |            |            |                |                                 |                          |                                   |          |                          |                                                       |            |         |         |
| Series 31                                                                                           | 27/06/2019                          | 17,200,000 | 1/08/2018                                       | -          | 17,200,000 | -              | -                               | -                        | (17,200,000)                      | -        | -                        | -                                                     | -          | -       |         |
| Series 33                                                                                           | 02/07/2019                          | 26,900,000 | 19/07/19                                        | -          | -          | 26,900,000     | -                               | -                        | -                                 | -        | -                        | 26,900,000                                            | 686,082    | 422,813 | 29      |
|                                                                                                     |                                     | -          |                                                 | 17,200,000 | 26,900,000 | -              | -                               | -                        | (17,200,000)                      | -        | -                        | -                                                     | 26,900,000 | 686,082 | 422,813 |

(i) The reconciliation shown above for Mr Sampson's options is from his appointment on 4 June 2018

(ii) On 17 June 2019, the 17,200,000 share options were cancelled and replaced with (iii)

(iii) Option Series 33 was approved by the shareholders in 17 July 2019, which granted Brad Sampson 26,900,000 share options

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

#### Reconciliation of options as SBP arrangements and performance rights held by KMP (cont)

| Name, option or rights series number,<br>grant date, amount granted on<br>grant date and issue date | Balance at the<br>start of the year |              | Granted<br>or<br>allocated<br>as comp-<br>ensation |        |           | Exer-<br>cised | Cancelled<br>or expired |           | Other<br>change<br>s<br>(ii) | Balance at the<br>end of the year |           | Max value<br>yet to vest | Expensed<br>in 2019 |     |
|-----------------------------------------------------------------------------------------------------|-------------------------------------|--------------|----------------------------------------------------|--------|-----------|----------------|-------------------------|-----------|------------------------------|-----------------------------------|-----------|--------------------------|---------------------|-----|
|                                                                                                     | Vested<br>and exer-<br>cisable      | Unveste<br>d |                                                    | Vested |           |                |                         | (iv)      |                              | Vested<br>and exer-<br>cisable    | Unvested  |                          |                     |     |
|                                                                                                     | No                                  | No           | No                                                 | No     | %         | No             | No                      | %         | No                           | No                                | No        | USD                      | USD                 | %   |
| <b>Non-executive directors</b>                                                                      |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| David Hathorn                                                                                       |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| <i>Options</i>                                                                                      |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| Series 32                                                                                           | 27/06/2019                          | 4,000,000    | 01/08/2019                                         | -      | 4,000,000 | -              | -                       | -         | -                            | -                                 | 4,000,000 | 0                        | 82,754              | 65  |
| <i>Performance Rights</i>                                                                           |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| Series 8                                                                                            | 20/11/2015                          | 13,000,000   | 02/03/2016                                         | -      | -         | -              | -                       | -         | -                            | -                                 | -         | -                        | -                   | -   |
| Series 16                                                                                           | 27/06/2018                          | 1,500,000    | 01/08/2018                                         | -      | 1,500,000 | -              | -                       | (500,000) | -                            | -                                 | 1,000,000 | 23,181                   | 88,841              | 79  |
|                                                                                                     |                                     | -            |                                                    | -      | 5,500,000 | -              | -                       | (500,000) | -                            | -                                 | 5,000,000 | 23,181                   | 171,195             | -   |
| Jonathan Trollip                                                                                    |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| <i>Performance Rights</i>                                                                           |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| Series 10                                                                                           | 30/06/2016                          | 2,000,000    | 06/07/2016                                         | -      | -         | -              | -                       | -         | -                            | -                                 | -         | -                        | -                   | 0   |
| Series 17                                                                                           | 27/06/2019                          | 750,000      | 01/08/2019                                         | -      | 750,000   | -              | -                       | (250,000) | -                            | -                                 | 500,000   | 70,849                   | 42,597              | 16  |
|                                                                                                     |                                     | -            |                                                    | -      | 750,000   | -              | -                       | (250,000) | -                            | -                                 | 500,000   | 70,849                   | 42,597              | -   |
| Leonard Math (vii)                                                                                  |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| <i>Performance Rights</i>                                                                           |                                     |              |                                                    |        |           |                |                         |           |                              |                                   |           |                          |                     |     |
| Series 11                                                                                           | 30/06/2016                          | 1,000,000    | 06/07/2016                                         | -      | -         | -              | -                       | -         | -                            | -                                 | -         | -                        | -                   | 0   |
| Series 18                                                                                           | 27/06/2019                          | 750,000      | 01/08/2019                                         | -      | 750,000   | -              | -                       | (312,500) | (437,500)                    | -                                 | -         | -                        | 87,898              | 100 |
|                                                                                                     |                                     | -            |                                                    | -      | 750,000   | -              | -                       | (312,500) | (437,500)                    | -                                 | -         | -                        | 87,898              |     |

(iv) The performance rights for Rights Series 8, 10 and 11 were cancelled following shareholder approval at the Company's AGM held on 27 June 2019. The options for Option Series 22, 23 and 24 were not exercised and expired during the year.

(v) Leonard Math resigned on 28 June 2019.



## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

#### Reconciliation of options as SBP arrangements and performance rights held by KMP (cont)

| Name, option or rights series number,<br>grant date, amount granted on<br>grant date and issue date |            |           |            | Balance at the<br>start of the year |           | Granted<br>or<br>allocated<br>as comp<br>en-sation |              |     | Exer-<br>cised | Cancelled<br>or expired<br>(iv) |   | Other<br>changes<br>(ii) | Balance at the<br>end of the year |           | Max value<br>yet to vest | Expensed<br>in 2019 |     |
|-----------------------------------------------------------------------------------------------------|------------|-----------|------------|-------------------------------------|-----------|----------------------------------------------------|--------------|-----|----------------|---------------------------------|---|--------------------------|-----------------------------------|-----------|--------------------------|---------------------|-----|
|                                                                                                     |            |           |            | Vested<br>and exer-<br>cisable      | Unvested  |                                                    |              |     |                |                                 |   |                          | Vested<br>and exer-<br>-cisable   | Unvested  |                          |                     |     |
|                                                                                                     |            |           |            | No                                  | No        | No                                                 | Vested<br>No | %   | No             | No                              | % | No                       | No                                | No        | USD                      | USD                 | %   |
| <b>Non-executive directors (Cont)</b>                                                               |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| Timothy Keating                                                                                     |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| <i>Performance Rights</i>                                                                           |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| Series 20                                                                                           | 27/06/2019 | 750,000   | 01/08/2019 | -                                   | 750,000   | -                                                  | -            | -   | (250,000)      | -                               | - | -                        | -                                 | 500,000   | 10,758                   | 23,010              | 41  |
|                                                                                                     |            |           |            | -                                   | 750,000   | -                                                  | -            | -   | (250,000)      | -                               | - | -                        | -                                 | 500,000   | 10,758                   | 23,010              | 41  |
| David Netherway                                                                                     |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| <i>Performance Rights</i>                                                                           |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| Series 19                                                                                           | 27/06/2019 | 750,000   | 01/08/2019 | -                                   | 750,000   | -                                                  | -            | -   | (250,000)      | -                               | - | -                        | -                                 | 500,000   | 10,758                   | 22,838              | 41  |
|                                                                                                     |            |           |            | -                                   | 750,000   | -                                                  | -            | -   | (250,000)      | -                               | - | -                        | -                                 | 500,000   | 10,758                   | 22,828              | 41  |
| <b>Executives</b>                                                                                   |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| John Crews (resigned) (vi)                                                                          |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| <i>Performance Rights</i>                                                                           |            |           |            |                                     |           |                                                    |              |     |                |                                 |   |                          |                                   |           |                          |                     |     |
| Series 12                                                                                           | 29/05/2017 | 100,000   | 29/05/2017 | -                                   | 100,000   | -                                                  | 100,000      | 100 | -              | -                               | - | -                        | 100,000                           | -         | -                        | 2,470               | 100 |
| Series 14                                                                                           | 29/05/2017 | 560,004   | 29/05/2017 | 186,668                             | 373,336   | -                                                  | 186,667      | 33  | -              | -                               | - | -                        | 373,336                           | 186,668   | -                        | 4,610               | 100 |
| Series 15                                                                                           | 29/05/2017 | 2,200,000 | 29/05/2017 | -                                   | 2,200,000 | -                                                  | -            | -   | -              | -                               | - | -                        | -                                 | 2,200,000 | 112,574                  | 51,042              | 33  |
|                                                                                                     |            |           |            | 186,668                             | 2,673,336 | -                                                  | 286,667      | -   | -              | -                               | - | -                        | 473,336                           | 2,386,668 | 112,574                  | 58,112              | 15  |

(vi) John Crews resigned in 18 November 2019.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

#### Reconciliation of options as SBP arrangements and performance rights held by KMP (cont)

| Name, option or rights series number,<br>grant date, amount granted on<br>grant date and issue date |            |           |            | Balance at the<br>start of the year |           | Granted or<br>allocated<br>as compen-<br>sation | Vested  |     | Exer-<br>cised | Cancelled<br>or expired<br>(iv) |    | Other<br>changes<br>(ii) | Balance at the<br>end of the year |           | Max value<br>yet to vest | Expensed<br>in 2019 |    |
|-----------------------------------------------------------------------------------------------------|------------|-----------|------------|-------------------------------------|-----------|-------------------------------------------------|---------|-----|----------------|---------------------------------|----|--------------------------|-----------------------------------|-----------|--------------------------|---------------------|----|
|                                                                                                     |            |           |            | Vested<br>and exer-<br>cisable      | Unvested  |                                                 |         |     |                |                                 |    |                          | Vested<br>and exer-<br>-cisable   | Unvested  |                          |                     |    |
|                                                                                                     |            |           |            | No                                  | No        |                                                 | No      | No  |                | %                               | No |                          | No                                | %         |                          | No                  | No |
| Executives (Cont)                                                                                   |            |           |            |                                     |           |                                                 |         |     |                |                                 |    |                          |                                   |           |                          |                     |    |
| Julien Babey (resigned) (vii)                                                                       |            |           |            |                                     |           |                                                 |         |     |                |                                 |    |                          |                                   |           |                          |                     |    |
| Performance Rights                                                                                  |            |           |            |                                     |           |                                                 |         |     |                |                                 |    |                          |                                   |           |                          |                     |    |
| Series 6                                                                                            | 17/09/2015 | 521,957   | 17/09/2015 | 521,957                             | -         | -                                               | 0       | 0   | -              | -                               | -  | -                        | 521,957                           | -         | -                        | -                   | -  |
| Series 12                                                                                           | 29/05/2017 | 350,000   | 29/05/2017 | -                                   | 350,000   | -                                               | 350,000 | 100 | -              | -                               | -  | -                        | 350,000                           | -         | -                        | 8,655               | 3  |
| Series 14                                                                                           | 29/05/2017 | 490,002   | 29/05/2017 | 163,334                             | 326,668   | -                                               | 163,333 | 33  | -              | -                               | -  | -                        | 326,667                           | 163,333   | -                        | 4,034               | 31 |
| Series 15                                                                                           | 29/05/2017 | 2,500,000 | 29/05/2017 | -                                   | 2,500,000 | -                                               | -       | -   | -              | -                               | -  | -                        | -                                 | 2,500,000 | 127,925                  | 58,002              | 11 |
|                                                                                                     |            |           |            | 685,291                             | 3,176,668 | -                                               | 513,333 | -   | -              | -                               | -  | -                        | 1,198,624                         | 2,663,333 | 127,925                  | 70,691              |    |
| Gavin Chamberlain                                                                                   |            |           |            |                                     |           |                                                 |         |     |                |                                 |    |                          |                                   |           |                          |                     |    |
| Performance Rights                                                                                  |            |           |            |                                     |           |                                                 |         |     |                |                                 |    |                          |                                   |           |                          |                     |    |
| Series 14                                                                                           | 29/05/2017 | 560,004   | 29/05/2017 | 186,668                             | 373,336   | -                                               | 186,668 | 33  | -              | -                               | -  | -                        | 373,336                           | 186,668   | -                        | 4,610               | 33 |
| Series 15                                                                                           | 29/05/2017 | 2,200,000 | 29/05/2017 | -                                   | 2,200,000 | -                                               | -       | -   | -              | -                               | -  | -                        | -                                 | -         | 125,032                  | 51,046              | 33 |
|                                                                                                     |            |           |            | 186,668                             | 2,573,336 | -                                               | 186,668 | -   | -              | -                               | -  | -                        | 373,336                           | 186,668   | 125,032                  | 55,656              |    |

(vii) Julien Babey resigned in 18 November 2019.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Share-based payments granted as compensation to KMP

#### Options and Performance Rights granted during 2019

The following table summarises the options as share-based payments and performance rights granted to KMP during the financial year ending 31 December 2019.

|                            | Options / Rights Series | Number of Options / Rights Granted at Grant Date Number | Value of Options / Rights Granted at Grant Date <sup>(1)</sup> USD |
|----------------------------|-------------------------|---------------------------------------------------------|--------------------------------------------------------------------|
| <i>Executive Directors</i> |                         |                                                         |                                                                    |
| Brad Sampson (i)           | Option Series 33        | 26,900,000                                              | 945,999                                                            |

i) The value of these options was calculated using the modification clause of IFRS 2.

#### **Shares issued on exercise of options or performance rights**

No shares were issued from the exercise of options during the financial year ended 31 December 2019.

Shares were issued to the following non-executive directors during the financial year ended 31 December 2019 following the vesting of the performance rights.

|                                | Options / Rights Series | Number of shares granted in exchange for performance rights |
|--------------------------------|-------------------------|-------------------------------------------------------------|
| <i>Non-executive Directors</i> |                         |                                                             |
| David Hathorn                  | Rights Series 16        | 500,000                                                     |
| Jonathan Trollip               | Rights Series 17        | 250,000                                                     |
| Leonard Math                   | Rights Series 18        | 312,500                                                     |
| David Netherway                | Rights Series 19        | 250,000                                                     |
| Timothy Keating                | Rights Series 20        | 250,000                                                     |

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Shareholdings (ordinary shares)

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

| 31 December 2019               | Balance at<br>1 Jan 2019 | Received as<br>Remuneration | Options<br>Exercised / Rights<br>Converted | Other<br>Movements<br>(i) (ii) | Balance at<br>31 Dec 2019 |
|--------------------------------|--------------------------|-----------------------------|--------------------------------------------|--------------------------------|---------------------------|
| <i>Executive Directors</i>     |                          |                             |                                            |                                |                           |
| Brad Samson (ii)               | -                        | -                           | -                                          | 2,464,705                      | 2,464,705                 |
| <i>Non-executive directors</i> |                          |                             |                                            |                                |                           |
| David Hathorn (ii)             | 23,186,355               | 5,865,095                   | 500,000                                    | 19,717,643                     | 49,269,093                |
| Jonathan Trollip               | 791,714                  | 1,148,337                   | 250,000                                    | -                              | 2,190,051                 |
| Timothy Keating                | -                        | -                           | 250,000                                    | -                              | 250,000                   |
| Leonard Math (i)               | -                        | -                           | 312,500                                    | (312,500)                      | -                         |
| David Netherway                | 350,000                  | 1,522,689                   | 250,000                                    | -                              | 2,122,689                 |
|                                | <b>24,328,069</b>        | <b>8,536,121</b>            | <b>1,562,500</b>                           | <b>21,869,848</b>              | <b>56,296,538</b>         |
| <i>Executives</i>              |                          |                             |                                            |                                |                           |
| Henko Vos                      | 1                        | -                           | -                                          | -                              | 1                         |
| Julien Babey (i)               | 1,043,914                | -                           | -                                          | (1,043,914)                    | -                         |
|                                | <b>1,043,915</b>         | <b>-</b>                    | <b>-</b>                                   | <b>(1,043,914)</b>             | <b>1</b>                  |
|                                |                          |                             |                                            |                                |                           |
| <b>Total</b>                   | <b>25,371,984</b>        | <b>8,536,121</b>            | <b>1,562,500</b>                           | <b>20,825,934</b>              | <b>56,296,539</b>         |

(i) Shares held at resignation date.

(ii) Shares purchased from on-market acquisitions.

| 31 December 2018               | Balance at<br>1 Jan 2018 | Received as<br>Remuneration | Options<br>Exercised / Rights<br>Converted | Other<br>Movements<br>(i) (ii) (iii) | Balance at<br>31 Dec 2018 |
|--------------------------------|--------------------------|-----------------------------|--------------------------------------------|--------------------------------------|---------------------------|
| <i>Executive Directors</i>     |                          |                             |                                            |                                      |                           |
| Sean Bennett                   | 2,250,600                | -                           | -                                          | (2,250,600)                          | -                         |
| <i>Non-executive directors</i> |                          |                             |                                            |                                      |                           |
| David Hathorn                  | 21,568,105               | -                           | -                                          | 1,618,250                            | 23,186,355                |
| Jonathan Trollip               | 575,003                  | -                           | -                                          | 216,711                              | 791,714                   |
| David Netherway                | -                        | -                           | -                                          | 350,000                              | 350,000                   |
|                                | <b>24,393,708</b>        | <b>-</b>                    | <b>-</b>                                   | <b>(65,639)</b>                      | <b>24,328,069</b>         |
| <i>Executives</i>              |                          |                             |                                            |                                      |                           |
| Henko Vos                      | -                        | -                           | -                                          | 1                                    | 1                         |
| Julien Babey                   | 1,043,914                | -                           | -                                          | -                                    | 1,043,914                 |
|                                | <b>1,043,914</b>         | <b>-</b>                    | <b>-</b>                                   | <b>1</b>                             | <b>1,043,915</b>          |
|                                |                          |                             |                                            |                                      |                           |
| <b>Total</b>                   | <b>25,437,622</b>        | <b>-</b>                    | <b>-</b>                                   | <b>(65,638)</b>                      | <b>25,371,984</b>         |

Other than otherwise indicated above, no other KMP held any ordinary shares in the Company during the current or prior years.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### Shareholdings (preference shares)

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

There were not preference shares in issuance in the year ended 31 December 2019.

| 31 December 2018                                       | Balance at<br>1 Jan 2018 | Received as<br>Remuneration | Options<br>Exercised / Rights<br>Converted | Other<br>Movements<br>(i) | Balance at<br>31 Dec 2018 |
|--------------------------------------------------------|--------------------------|-----------------------------|--------------------------------------------|---------------------------|---------------------------|
| <i>Executive Director</i><br>Sean Bennett (i)(ii)      | 25,000                   | -                           | -                                          | (25,000)                  | -                         |
| <i>Non-executive director</i><br>David Hathorn (i)(ii) | 25,000                   | -                           | -                                          | (25,000)                  | -                         |
|                                                        | <b>50,000</b>            | -                           | -                                          | <b>(50,000)</b>           | -                         |
|                                                        |                          |                             |                                            |                           |                           |
| <b>Total</b>                                           | <b>50,000</b>            | -                           | -                                          | <b>(50,000)</b>           | -                         |

(i) See note (ii). The redemption of Preference Shares occurred during 2018 following the Company's capital raising in March 2018.

(ii) During 2017, Sean Bennett and David Hathorn were each issued 25,000 Redeemable (Non-Voting) Preference Shares at GBP 1.00 each in Kore Potash plc (held directly). Under the Scheme of Arrangement, each Director gave an irrevocable undertaking to pay the Company the sum of GBP 25,000 on or before the date that is five years from the date of the undertaking or, if sooner, immediately upon a written demand or demands by the Company. Upon completion of the Scheme of Arrangement, the Redeemable Preference Shares were redeemed during 2019 and the amount payable by the Directors were offset by an amount payable by the Company back to the Directors.

Other than otherwise indicated above, no other KMP held any preference shares in the Company during the current or prior years.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### *Holdings of options, rights and equity warrants over equity instruments*

The numbers of options, rights and equity warrants over ordinary shares in the Company held during the financial year by KMP, including options and rights held by entities they control, are set out below.

| <b>31 December 2019</b>        | <b>Balance at<br/>1 Jan 2019</b> | <b>Received as<br/>Remuneration</b> | <b>Rights<br/>Vested</b> | <b>Other<br/>Movements<br/>(i) to (v)</b> | <b>Balance at<br/>31 Dec 2019</b> | <b>Vested and<br/>exercisable<br/>at year end</b> |
|--------------------------------|----------------------------------|-------------------------------------|--------------------------|-------------------------------------------|-----------------------------------|---------------------------------------------------|
| <i>Executive Directors</i>     |                                  |                                     |                          |                                           |                                   |                                                   |
| Brad Sampson (i)               | 17,200,000                       | 26,900,000                          | -                        | (17,200,000)                              | 26,900,000                        | -                                                 |
| <i>Non-executive directors</i> |                                  |                                     |                          |                                           |                                   |                                                   |
| David Hathorn (ii)             | 7,799,416                        | -                                   | (500,000)                | (2,049,416)                               | 5,250,000                         | 250,000                                           |
| Jonathan Trollip (ii)          | 807,091                          | -                                   | (250,000)                | (57,091)                                  | 500,000                           | -                                                 |
| Leonard Math (iii)             | 750,000                          | -                                   | -                        | (750,000)                                 | -                                 | -                                                 |
| Timothy Keating                | 750,000                          | -                                   | (250,000)                | -                                         | 500,000                           | -                                                 |
| David Netherway                | 750,000                          | -                                   | (250,000)                | -                                         | 500,000                           | -                                                 |
|                                | <b>28,056,507</b>                | <b>26,900,000</b>                   | <b>(1,250,000)</b>       | <b>(20,056,507)</b>                       | <b>33,650,000</b>                 | <b>250,000</b>                                    |
| <i>Executives</i>              |                                  |                                     |                          |                                           |                                   |                                                   |
| John Crews                     | 660,004                          | 2,200,000                           | -                        | -                                         | 2,860,004                         | 473,333                                           |
| Julien Babey                   | 1,361,959                        | 1,978,041                           | -                        | -                                         | 3,340,000                         | 676,667                                           |
| Gavin Chamberlain              | 560,000                          | 2,200,000                           | -                        | -                                         | 2,760,000                         | 373,333                                           |
|                                | <b>2,581,963</b>                 | <b>6,378,041</b>                    | <b>-</b>                 | <b>-</b>                                  | <b>8,960,004</b>                  | <b>1,523,333</b>                                  |
| <b>Total</b>                   | <b>30,638,470</b>                | <b>33,278,041</b>                   | <b>(1,250,000)</b>       | <b>(20,056,507)</b>                       | <b>42,610,004</b>                 | <b>1,773,333</b>                                  |

(i) Brad Sampson's share options were cancelled and replaced on 17 July 2019 with 26,900,000 share options.

(ii) On 15 November 2019 50,000,000 of unlisted options expired, of these 2,049,416 were held by David Hawthorn and 57,091 were held by Jonathan Trollip

(iii) Upon Leonard Math ceasing to be a director post the AGM held on 28 June 2019, 437,500 rights were cancelled. The remaining 312,500 rights were converted to shares.

Other than otherwise indicated above, no other KMP held any options, rights or equity warrants over ordinary shares in the Company during the year ended 31 December 2019.

## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### *Options, rights and equity warrants over equity instruments granted as compensation*

| 31 December 2018               | Balance at<br>1 Jan 2018 | Received as<br>Remuneration | Rights<br>Vested | Other<br>Movements<br>(i) to (v) | Balance at<br>31 Dec 2018 | Vested and<br>exercisable<br>at year end |
|--------------------------------|--------------------------|-----------------------------|------------------|----------------------------------|---------------------------|------------------------------------------|
| <i>Executive Directors</i>     |                          |                             |                  |                                  |                           |                                          |
| Brad Sampson                   | -                        | 17,200,000                  | -                | -                                | 17,200,000                | -                                        |
| Sean Bennett                   | 7,666,250                | -                           | -                | (7,666,250)                      | -                         | -                                        |
| <i>Non-executive directors</i> |                          |                             |                  |                                  |                           |                                          |
| David Hathorn                  | 13,049,416               | 5,500,000                   | -                | (10,750,000)                     | 7,799,416                 | 2,299,416                                |
| Jonathan Trollip               | 2,057,091                | 750,000                     | -                | (2,000,000)                      | 807,091                   | 57,091                                   |
| Leonard Math                   | 1,183,600                | 750,000                     | -                | (1,183,600)                      | 750,000                   | -                                        |
| Timothy Keating                | -                        | 750,000                     | -                | -                                | 750,000                   | -                                        |
| David Netherway                | -                        | 750,000                     | -                | -                                | 750,000                   | -                                        |
|                                | <b>23,956,357</b>        | <b>25,700,000</b>           | <b>-</b>         | <b>(21,599,850)</b>              | <b>28,056,507</b>         | <b>2,356,507</b>                         |
| <i>Executives</i>              |                          |                             |                  |                                  |                           |                                          |
| John Crews                     | 100,000                  | 560,004                     | -                | -                                | 660,004                   | 186,668                                  |
| Julien Babey                   | 1,725,290                | 490,002                     | -                | (853,333)                        | 1,361,959                 | 685,291                                  |
| Gavin Chamberlain              | -                        | 560,004                     | -                | -                                | 560,004                   | 186,668                                  |
|                                | <b>1,825,290</b>         | <b>1,610,010</b>            | <b>-</b>         | <b>(853,333)</b>                 | <b>2,581,967</b>          | <b>1,058,627</b>                         |
|                                |                          |                             |                  |                                  |                           |                                          |
| <b>Total</b>                   | <b>25,781,647</b>        | <b>27,310,010</b>           | <b>-</b>         | <b>(22,453,183)</b>              | <b>30,638,474</b>         | <b>3,415,134</b>                         |

Other than otherwise indicated above, no other KMP held any options, rights or equity warrants over ordinary shares in the Company during the year ended 31 December 2018.



## CORPORATE GOVERNANCE REPORT (CONT)

### Remuneration Report (Cont)

#### **Other transactions with KMP during the financial year ended 31 December 2019**

No KMP has entered into a material contract (apart from employment) with the Company and the Group. No amount of remuneration is outstanding at 31 December 2019.

On 27 June 2018, the shareholders approved the grant of 17,200,000 unlisted options to Brad Sampson, valued at a total of USD 1,171,320 and 4,000,000 unlisted options to David Hathorn, valued at a total of USD 145,600 at the Company's AGM.

On 28 June 2019, Brad Sampson's 17,200,000 unlisted options were cancelled. These were replaced with 26,900,000 unlisted options on 17 July 2019.

During the year, the below non-executive directors exercised performance rights when they vested.

| Director         | Number of existing Performance Rights | Number of vested Performance Rights |
|------------------|---------------------------------------|-------------------------------------|
| David Hathorn    | 1,000,000                             | 500,000                             |
| Jonathan Trollip | 500,000                               | 250,000                             |
| David Netherway  | 500,000                               | 250,000                             |
| Leonard Math     | Nil                                   | 312,500                             |
| Timothy Keating  | 500,000                               | 250,000                             |

During the year, 50,000,000 Share options which were fully vested, expired. These were valued at USD 2,634,917.

Nexia Perth Pty Ltd are engaged to provide accounting, administrative and company secretarial services for the Group on commercial terms. Mr Henko Vos, who is based in Perth, Australia has been appointed as joint company secretary and is also currently an employee with Nexia Perth. During the year, the total amount paid to Nexia Perth by the Group for providing accounting, administration and company secretarial services was USD 192,817 and USD 92,394 to Smith & Williamson LLP.

St James's Corporate Services Limited was appointed on 1 October 2018 and engaged to provide company secretarial services for Kore Potash plc on commercial terms. During the year, the total amounts paid to St James's Corporate Services Limited by the Group for providing company secretarial services were USD 22,486.

There were no other transactions with KMP and its related parties.

#### **Voting of shareholders at last year's AGM held on 28 June 2019**

The Company received more than 99.9% of "yes" votes on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

# CORPORATE GOVERNANCE REPORT (CONT)

## OTHER CORPORATE GOVERNANCE MATTERS

### 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 adopted a Code of Conduct charter to promote ethical and responsible decision-making by the directors.

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 and on the JSE. The Group promotes the open communication of any 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.

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 either of the joint company secretaries, 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 Group's Anti-Bribery and Anti-Corruption policy is set out in the Code of Conduct and has been aligned with relevant UK, Australian 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.

#### *Dealings with Company Securities*

The Group's Securities Dealing Policy is binding on all Directors, Senior Executives 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 MAR, AIM, ASX and JSE requirements, and continues to meet the requirements of the Board.

#### *Interests of other stakeholders*

The Group's primary 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.

In pursuing this objective, the Group manages its business operations consistent with its Code of Conduct.

### Market Disclosure

The Company is subject to parallel obligations under the AIM Rules and the Market Abuse Regulation, in addition to the ASX Listing Rules and the JSE Regulations, 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 its continuous disclosure obligations 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.

## CORPORATE GOVERNANCE REPORT (CONT)

### OTHER CORPORATE GOVERNANCE MATTERS (CONT)

The Company has a formal Disclosure Policy ("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 guidance 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 Kore Potash'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.

#### Shareholders

The Group places considerable importance on effective communications with its 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 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 half year reports and annual reports;
- Copies of quarterly cash flow reports and review of operations;
- Investors' presentations; and
- Copies of its announcements to the stock exchanges.

The Company's share register is maintained electronically by Computershare. Their contact details are disclosed in the Corporate Directory of the Annual Report on page 3.

The Board encourages full participation of shareholders at the Company's AGM to ensure a high level of accountability, transparency and understanding of the Group's strategy and goals. The Company provides information in its 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 a vote and discussion is encouraged by the Board.

One of the joint company secretaries, the Company's external auditor and the Registrars are in attendance at general meetings of the Company to assist with any queries shareholders may have.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KORE POTASH PLC

## Opinion

We have audited the financial statements of Kore Potash plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows 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 financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

## Conclusions relating to principal risks, going concern and viability statement

### ***Material uncertainty related to going concern***

We draw attention to Note 1(b) to the financial statements, which indicates that the Group is reliant on future fund raisings to fund its exploration and development activities and fulfil its working capital requirements as they fall due. As stated in Note 1(b), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required made in accordance with the UK Corporate Governance Code is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Because of the judgements made by management, and the significance of this area, we have determined Going Concern to be a key area of focus for the audit. As described in note 1(b), management have prepared cash flow forecasts for the period to 30 June 2021, which indicate that the Group are reliant on future fundraising activity during 2020 in order to meet its liabilities as they fall due during this period.

We obtained management's cash flow forecasts for the period to 30 June 2021. We assessed the key underlying assumptions, including forecast levels of expenditure and exploration costs used in preparing these forecasts. In doing so, we considered factors such as actual performance against budget and third party contracted commitments.

We performed sensitivity analysis in respect of the key assumptions underpinning the forecasts, including operational costs, levels of exploration expenditure and assessed the level of cash under such sensitivities.

The trading position is dependent upon the cash flows associated with a successful fund raising, forecast for H2 2020. We have discussed Management's plans to raise funds in the near future and corroborated these discussions with key advisers, including consideration of the impact of COVID-19 (Coronavirus) on these plans.

We assessed the appropriateness of the disclosures included in the financial statements.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matters described in the Conclusions relating to principal risks, going concern and viability statement section above, we have determined the matter described below to be a key audit matter:

#### Key audit matter

##### Carrying value of exploration and evaluation ("E&E") assets

At 31 December 2019, the Group held E&E assets on its balance sheet as detailed in in note 7.

As detailed in notes 1(s), there are judgments and inherent uncertainties around the recoverability of exploration and evaluation assets. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of an asset at 31 December 2019 may not be recoverable.

Given the materiality of the E&E assets in the context of the Group's statement of financial position and the significant judgement involved in making the assessment of whether any indicators of impairment exist we consider this to be a key audit matter.

##### How our audit addressed the key audit matter

We tested a sample of additions to exploration and evaluation assets by agreeing to third party documentation to check whether or not they meet the criteria for capitalisation in accordance with accounting standards.

We reviewed and challenged management's impairment assessment which was carried out in accordance with relevant accounting standards in order to determine whether there were any indicators of impairment. Our specific audit procedures performed in this regard included:

- We agreed there is an ongoing plan to develop the licence areas and checked that the licences remain valid.
- The verification of license status, in order to check the legal title.
- Visiting the exploration site and meeting with project managers in order to understand the future plans for the assets.
- Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment
- Obtaining approved budgets and minutes of Board meetings to check that the Group intends to continue to explore specific license's by including future expenditure.
- Obtaining an understanding of Management's expectation of commercial viability, reviewing any available technical documentation, including the Kola Definitive Feasibility Study and DX Scoping Study, in order to support this expectation and discussing results and operations.
- Reviewing correspondence with the Government and holding discussions with the Republic of Congo country management regarding ongoing updates to the Group's exploration licences.

We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards.

## Key Observations

We found management's assessment of the carrying value of E&E assets to be acceptable and appropriately disclosed.

## 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.

| Component      | Materiality | Basis for materiality                                                                                                                                                                      |
|----------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Group          | \$1.60m     | Materiality has been based on 1.0% of total assets. We consider total assets to be the most appropriate basis for materiality given the Group is in the exploration and development stage. |
| Parent company | \$1.44m     | Materiality has been capped at 90% of Group materiality.                                                                                                                                   |

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at \$0.96m for the Group and at \$0.86m for the parent company which represents 60% of the above materiality levels.

Each significant component of the Group was audited to a lower level of materiality ranging from \$0.02m to \$1.44m.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of \$0.03m. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

## An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at Group level. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement due to fraud.

The Group's principal operations are located in the Republic of Congo. In approaching the audit, we considered how the Group is organised and managed. We assessed there to be four significant components, being the Parent Company and the three exploration entities in the Republic of Congo: Sintoukola Potash S.A., Dougou Potash Mining S.A. and Kola Potash Mining S.A. The remaining components were considered non-significant to the Group audit and we performed analytical review procedures in respect of these.

A full scope audit for Group reporting purposes was performed on the significant components based in the Republic of Congo by BDO West Africa Francophone. BDO LLP performed a full scope audit of the Parent Company, specific procedures over key risk areas including the Key Audit Matters detailed above and the audit of the consolidation.

As part of our Group audit strategy, as Group auditors:

- We held planning meetings with BDO West Africa Francophone and local management.
- Members of the Group audit team visited the Republic of Congo at certain times during the fieldwork phases of the audits.
- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by their audit, and set out the information to be reported to the Group audit team.
- We reviewed Group reporting submissions and performed a review of the component auditors file.
- We held clearance meetings with the component auditor and local management to discuss significant audit and accounting issues and judgments.

### **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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement relating to the Company's compliance with the UK Corporate Governance Code do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### **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 by the Parent Company, 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 Statement of Directors' responsibilities, within the Directors' report set out on page 33, 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**

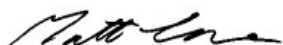
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.



Matt Crane (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, United Kingdom  
23 March 2020

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

|                                                                  | Note | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|------------------------------------------------------------------|------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| Directors remuneration                                           |      | (572,961)                 | (158,733)                 | (828,445)                              | (812,575)                              |
| Equity compensation benefits                                     | 2(a) | (907,102)                 | (695,345)                 | (907,102)                              | (695,345)                              |
| Salaries, employee benefits and consultancy expense              | 2(c) | (588,273)                 | (19,849)                  | (1,687,419)                            | (1,325,505)                            |
| Credit loss provision                                            | 5    | (16,375,499)              | -                         | -                                      | -                                      |
| London listing and re-domicile expenses                          |      | (47,839)                  | (304,030)                 | (49,675)                               | (1,200,192)                            |
| Administration expenses                                          | 2(b) | (1,637,942)               | (654,635)                 | (1,245,041)                            | (2,323,176)                            |
| Fair value change in derivative financial liability              | 10   | 502,345                   | 110,114                   | 502,345                                | 110,114                                |
| Interest income                                                  |      | 32,898                    | -                         | 52,936                                 | 72,873                                 |
| Interest and finance expenses                                    |      | (6,216)                   | -                         | (15,393)                               | (81,407)                               |
| Net realised and unrealised foreign exchange gains               |      | 7,070                     | 6,679                     | (682)                                  | 2,886                                  |
| Loss before income tax expense                                   |      | (19,593,519)              | (1,715,799)               | (4,178,476)                            | (6,252,327)                            |
| Income tax                                                       | 3    | -                         | -                         | (24,276)                               | (17,039)                               |
| <b>Loss for the year</b>                                         |      | <b>(19,593,519)</b>       | <b>(1,715,799)</b>        | <b>(4,202,752)</b>                     | <b>(6,269,366)</b>                     |
| <b>Other comprehensive income/(loss)</b>                         |      |                           |                           |                                        |                                        |
| <i>Items that may be classified subsequent to profit or loss</i> |      |                           |                           |                                        |                                        |
| Exchange differences on translating foreign operations           |      | -                         | -                         | (3,104,632)                            | (7,104,236)                            |
| Other comprehensive income/(loss) for the year                   |      | -                         | -                         | (3,104,632)                            | (7,104,236)                            |
| <b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>          |      | <b>(19,593,519)</b>       | <b>(1,715,799)</b>        | <b>(7,307,384)</b>                     | <b>(13,373,602)</b>                    |
| <b>Loss attributable to:</b>                                     |      |                           |                           |                                        |                                        |
| Owners of the Company                                            |      | (19,593,519)              | (1,715,799)               | (4,204,007)                            | (6,249,696)                            |
| Non-controlling interest                                         |      | -                         | -                         | 1,255                                  | (19,670)                               |
|                                                                  |      | <b>(19,593,519)</b>       | <b>(1,715,799)</b>        | <b>(4,202,752)</b>                     | <b>(6,269,366)</b>                     |
| <b>Total comprehensive (loss)/income attributable to:</b>        |      |                           |                           |                                        |                                        |
| Owners of the Company                                            |      | (19,593,519)              | (1,715,799)               | (7,308,639)                            | (12,832,564)                           |
| Non-controlling interest                                         |      | -                         | -                         | 1,255                                  | (541,038)                              |
|                                                                  |      | <b>(19,593,519)</b>       | <b>(1,715,799)</b>        | <b>(7,307,384)</b>                     | <b>(13,373,602)</b>                    |
| Basic and diluted loss per share (cents per share)               | 23   | (1.68)                    | (0.20)                    | (0.36)                                 | (0.75)                                 |

*The accompanying notes from pages 87 to 145 form part of these financial statements.*

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

|                                                     | Note  | Parent             |                    | Consolidated Entity |                    |
|-----------------------------------------------------|-------|--------------------|--------------------|---------------------|--------------------|
|                                                     |       | Dec 2019<br>USD    | Dec 2018<br>USD    | Dec 2019<br>USD     | Dec 2018<br>USD    |
| <b>CURRENT ASSETS</b>                               |       |                    |                    |                     |                    |
| Cash and cash equivalents                           | 4     | 7,046,089          | -                  | 7,578,727           | 6,187,113          |
| Trade and other receivables                         | 5     | 142,067,941        | 12,681,197         | 358,954             | 345,155            |
| Right-of-use-asset                                  | 6(a)  | -                  | -                  | 42,278              | -                  |
| <b>TOTAL CURRENT ASSETS</b>                         |       | <b>149,114,030</b> | <b>12,681,197</b>  | <b>7,979,959</b>    | <b>6,532,268</b>   |
| <b>NON CURRENT ASSETS</b>                           |       |                    |                    |                     |                    |
| Trade and other receivables                         | 5     | -                  | -                  | 198,432             | 120,922            |
| Property, plant and equipment                       | 6     | -                  | -                  | 560,711             | 302,255            |
| Exploration and evaluation expenditure              | 7     | -                  | -                  | 156,019,360         | 149,863,323        |
| Investment in subsidiary                            | 8     | 69                 | 139,350,094        | -                   | -                  |
| <b>TOTAL NON CURRENT ASSETS</b>                     |       | <b>69</b>          | <b>139,350,094</b> | <b>156,788,503</b>  | <b>150,286,500</b> |
| <b>TOTAL ASSETS</b>                                 |       | <b>149,114,099</b> | <b>152,031,291</b> | <b>164,758,462</b>  | <b>156,818,768</b> |
| <b>CURRENT LIABILITIES</b>                          |       |                    |                    |                     |                    |
| Trade and other payables                            | 9     | 2,894,748          | 144,217            | 2,968,093           | 1,702,392          |
| Lease liability                                     | 6(b)  | -                  | -                  | 55,582              | -                  |
| Derivative financial liability                      | 10    | 1,053              | 503,398            | 1,053               | 503,398            |
| <b>TOTAL CURRENT LIABILITIES</b>                    |       | <b>2,895,801</b>   | <b>647,615</b>     | <b>3,024,728</b>    | <b>2,205,790</b>   |
| <b>TOTAL LIABILITIES</b>                            |       | <b>2,895,801</b>   | <b>647,615</b>     | <b>3,024,728</b>    | <b>2,205,790</b>   |
| <b>NET ASSETS</b>                                   |       | <b>146,218,298</b> | <b>151,383,676</b> | <b>161,733,734</b>  | <b>154,612,978</b> |
| <b>EQUITY</b>                                       |       |                    |                    |                     |                    |
| Contributed equity – Ordinary Shares                | 11    | 1,541,253          | 860,852            | 1,541,253           | 860,852            |
| Reserves                                            | 12    | 163,740,876        | 152,944,455        | 221,336,423         | 213,644,634        |
| Accumulated losses                                  |       | (19,063,831)       | (2,421,631)        | (60,584,489)        | (59,331,800)       |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |       | <b>146,218,298</b> | <b>151,383,676</b> | <b>162,293,187</b>  | <b>155,173,686</b> |
| Non-controlling interests                           | 12(f) | -                  | -                  | (559,453)           | (560,708)          |
| <b>TOTAL EQUITY</b>                                 |       | <b>146,218,298</b> | <b>151,383,676</b> | <b>161,733,734</b>  | <b>154,612,978</b> |

*The accompanying notes from pages 87 to 145 form part of these financial statements.*

These Financial Statements for Kore Potash plc, registered number 10933682, were approved by the Board of Directors on 23 March 2020 and were signed on its behalf by:



David Hathorn  
Non-Executive Chairman



Brad Sampson  
Chief Executive Officer

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

### Consolidated Entity

| Note                                              | Ordinary<br>Shares<br>USD | Share-Based<br>Payments<br>Reserve<br>USD | Share<br>Premium<br>Reserve<br>USD | Foreign<br>Currency<br>Translation<br>Reserve<br>USD | Merger Reserve<br>USD | Redeemable<br>Preference<br>Shares<br>USD | Accumulated<br>Losses<br>USD | Equity Attributable to<br>the Shareholders of<br>Kore Potash plc<br>USD | NCI<br>USD | Total<br>Equity<br>USD |
|---------------------------------------------------|---------------------------|-------------------------------------------|------------------------------------|------------------------------------------------------|-----------------------|-------------------------------------------|------------------------------|-------------------------------------------------------------------------|------------|------------------------|
| <b>Balance at<br/>1 January 2018</b>              | 771,396                   | 11,814,770                                | -                                  | (8,747,747)                                          | 203,738,800           | 65,631                                    | (53,356,794)                 | 154,286,056                                                             | -          | 154,286,056            |
| Loss for the period                               | -                         | -                                         | -                                  | -                                                    | -                     | -                                         | (6,249,696)                  | (6,249,696)                                                             | (19,670)   | (6,269,366)            |
| Other comprehensive loss for<br>the year          | -                         | -                                         | -                                  | (6,563,198)                                          | -                     | -                                         | -                            | (6,563,198)                                                             | (541,038)  | (7,104,236)            |
| Total comprehensive<br>(loss)/income for the year | -                         | -                                         | -                                  | (6,563,198)                                          | -                     | -                                         | (6,249,696)                  | (12,812,894)                                                            | (560,708)  | (13,373,602)           |
| Transfer of previously lapsed<br>options          | 12(a) -                   | (888,202)                                 | -                                  | -                                                    | -                     | -                                         | 888,202                      | -                                                                       | -          | -                      |
| Share issue (net of costs)                        | 89,456                    | -                                         | 13,054,936                         | -                                                    | -                     | -                                         | -                            | 13,144,392                                                              | -          | 13,144,392             |
| Free-attaching warrants                           | -                         | -                                         | -                                  | -                                                    | -                     | -                                         | (613,512)                    | (613,512)                                                               | -          | (613,512)              |
| Redemption of redeemable<br>preference shares     | -                         | -                                         | -                                  | -                                                    | -                     | (65,631)                                  | -                            | (65,631)                                                                | -          | (65,631)               |
| Share based payments                              | 12(a) -                   | 1,235,275                                 | -                                  | -                                                    | -                     | -                                         | -                            | 1,235,275                                                               | -          | 1,235,275              |
| <b>Balance at<br/>31 December 2018</b>            | 860,852                   | 12,161,843                                | 13,054,936                         | (15,310,945)                                         | 203,738,800           | -                                         | (59,331,800)                 | 155,173,686                                                             | (560,708)  | 154,612,978            |
| Loss for the period                               | -                         | -                                         | -                                  | -                                                    | -                     | -                                         | (4,204,007)                  | (4,204,007)                                                             | 1,255      | (4,202,752)            |
| Other comprehensive loss for<br>the year          | -                         | -                                         | -                                  | (3,104,632)                                          | -                     | -                                         | -                            | (3,104,632)                                                             | -          | (3,104,632)            |
| Total comprehensive<br>(loss)/income for the year | -                         | -                                         | -                                  | (3,104,632)                                          | -                     | -                                         | (4,204,007)                  | (7,308,639)                                                             | 1,255      | (7,307,384)            |
| Transfer of previously lapsed<br>options          | 12(a) -                   | (2,951,318)                               | -                                  | -                                                    | -                     | -                                         | 2,951,318                    | -                                                                       | -          | -                      |
| Share issue                                       | 680,401                   | -                                         | 12,923,250                         | -                                                    | -                     | -                                         | -                            | 13,603,651                                                              | -          | 13,603,651             |
| Share issue costs                                 | -                         | -                                         | (404,594)                          | -                                                    | -                     | -                                         | -                            | (404,594)                                                               | -          | (404,594)              |
| Share based payments                              | 12(a) -                   | 1,229,083                                 | -                                  | -                                                    | -                     | -                                         | -                            | 1,229,083                                                               | -          | 1,229,083              |
| <b>Balance at<br/>31 December 2019</b>            | 1,541,253                 | 10,439,608                                | 25,573,592                         | (18,415,577)                                         | 203,738,800           | -                                         | (60,584,489)                 | 162,293,187                                                             | (559,453)  | 161,773,734            |

The accompanying notes from pages 87 to 145 form part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

### Parent

|                                                | Note  | Ordinary Shares<br>USD | Share Based<br>Payments<br>Reserve<br>USD | Share<br>Premium<br>Reserve<br>USD | Merger Reserve<br>USD | Reorganisation<br>Reserve<br>USD | Redeemable<br>Preference<br>Shares<br>USD | Accumulated<br>Losses<br>USD | Equity Attributable to<br>the Shareholders of<br>Kore Potash plc<br>USD | NCI<br>USD | Total<br>Equity<br>USD |
|------------------------------------------------|-------|------------------------|-------------------------------------------|------------------------------------|-----------------------|----------------------------------|-------------------------------------------|------------------------------|-------------------------------------------------------------------------|------------|------------------------|
| <b>Balance at 31 December 2017</b>             |       | <b>771,396</b>         | <b>11,814,770</b>                         | -                                  | <b>203,738,800</b>    | <b>(76,899,326)</b>              | <b>65,631</b>                             | <b>(92,320)</b>              | <b>139,398,951</b>                                                      | -          | <b>139,398,951</b>     |
| Loss for the period                            |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | (1,715,799)                  | (1,715,799)                                                             | -          | (1,715,799)            |
| Other comprehensive income for the year        |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | -                            | -                                                                       | -          | -                      |
| Total comprehensive (loss)/income for the year |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | (1,715,799)                  | (1,715,799)                                                             | -          | (1,715,799)            |
| Transfer of previously lapsed options          | 12(a) | -                      | (888,202)                                 | -                                  | -                     | 888,202                          | -                                         | -                            | -                                                                       | -          | -                      |
| Share issue (net of costs)                     |       | 89,456                 | -                                         | 13,054,936                         | -                     | -                                | -                                         | -                            | 13,144,392                                                              | -          | 13,144,392             |
| Free-attaching warrants                        |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | (613,512)                    | (613,512)                                                               | -          | (613,512)              |
| Redemption of redeemable preference shares     |       | -                      | -                                         | -                                  | -                     | -                                | (65,631)                                  | -                            | (65,631)                                                                | -          | (65,631)               |
| Share based payments                           | 12(a) | -                      | 1,235,275                                 | -                                  | -                     | -                                | -                                         | -                            | 1,235,275                                                               | -          | 1,235,275              |
| <b>Balance at 31 December 2018</b>             |       | <b>860,852</b>         | <b>12,161,843</b>                         | <b>13,054,936</b>                  | <b>203,738,800</b>    | <b>(76,011,124)</b>              | -                                         | <b>(2,421,631)</b>           | <b>151,383,676</b>                                                      | -          | <b>151,383,676</b>     |
| Loss for the year                              |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | (19,593,518)                 | (19,593,518)                                                            | -          | (19,593,518)           |
| Other comprehensive income for the year        |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | -                            | -                                                                       | -          | -                      |
| Total comprehensive (loss)/income for the year |       | -                      | -                                         | -                                  | -                     | -                                | -                                         | (19,593,518)                 | (19,593,518)                                                            | -          | (19,593,518)           |
| Transfer of previously lapsed options          | 12(a) | -                      | (2,951,318)                               | -                                  | -                     | -                                | -                                         | 2,951,318                    | -                                                                       | -          | -                      |
| Share issue                                    |       | 680,401                | -                                         | 12,923,250                         | -                     | -                                | -                                         | -                            | 13,603,651                                                              | -          | 13,603,651             |
| Share issue costs                              |       | -                      | -                                         | (404,594)                          | -                     | -                                | -                                         | -                            | (404,594)                                                               | -          | (404,594)              |
| Share based payments                           | 12(a) | -                      | 1,229,083                                 | -                                  | -                     | -                                | -                                         | -                            | 1,229,083                                                               | -          | 1,229,083              |
| <b>Balance at 31 December 2019</b>             |       | <b>1,541,253</b>       | <b>10,439,608</b>                         | <b>25,573,592</b>                  | <b>203,738,800</b>    | <b>(76,011,124)</b>              | -                                         | <b>(19,063,831)</b>          | <b>146,218,298</b>                                                      | -          | <b>146,218,298</b>     |

The accompanying notes from pages 87 to 145 form part of these financial statements.

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

|                                                                    |          | Parent             |                    | Consolidated Entity |                    |
|--------------------------------------------------------------------|----------|--------------------|--------------------|---------------------|--------------------|
|                                                                    | Note     | 31 Dec 2019<br>USD | 31 Dec 2018<br>USD | 31 Dec 2019<br>USD  | 31 Dec 2018<br>USD |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |          |                    |                    |                     |                    |
| Payments to suppliers                                              |          | (1,550,846)        | (1,019,812)        | (2,396,209)         | (4,664,522)        |
| Payments to employees                                              |          | (1,270,441)        | (158,733)          | (2,482,790)         | (1,352,498)        |
| Income tax paid                                                    |          | -                  | -                  | (45,130)            | (37,030)           |
| Net cash used in operating activities                              | 14       | (2,821,287)        | (1,178,545)        | (4,924,129)         | (6,054,050)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |          |                    |                    |                     |                    |
| Payments for plant and equipment                                   |          | -                  | -                  | (18,465)            | (8,452)            |
| Payments for exploration activities                                |          | -                  | -                  | (6,371,268)         | (17,104,196)       |
| Amounts advanced to related parties                                |          | (2,920,914)        | (11,965,847)       | -                   | -                  |
| Interest received                                                  |          | 32,898             | -                  | 56,215              | 68,528             |
| Net cash used in investing activities                              |          | (2,888,016)        | (11,965,847)       | (6,333,518)         | (17,044,120)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |          |                    |                    |                     |                    |
| Proceeds from issue of shares                                      |          | 12,761,449         | 12,894,392         | 12,761,449          | 12,894,392         |
| Payment for share issue costs                                      |          | (13,127)           | -                  | (13,127)            | -                  |
| Repayment of lease liabilities related to offices                  |          | -                  | -                  | (178,216)           | -                  |
| Interest paid on lease liabilities                                 |          | -                  | -                  | (7,322)             | -                  |
| Proceeds from issue of convertible loan note                       |          | -                  | 250,000            | -                   | 250,000            |
| Net cash provided by financing activities                          |          | 12,748,322         | 13,144,392         | 12,562,784          | 13,144,392         |
| <b>Net (decrease)/increase in cash &amp; cash equivalents held</b> |          | <b>7,039,019</b>   | <b>-</b>           | <b>1,305,137</b>    | <b>(9,953,778)</b> |
| Cash and cash equivalents at beginning of financial year           |          | -                  | -                  | 6,187,113           | 16,455,490         |
| Foreign currency differences                                       |          | 7,070              | -                  | 86,477              | (314,599)          |
| <b>Cash and cash equivalents at end of financial year</b>          | <b>4</b> | <b>7,046,089</b>   | <b>-</b>           | <b>7,578,727</b>    | <b>6,187,113</b>   |

*The accompanying notes from pages 87 to 145 form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is a public company incorporated and registered in England and Wales with primary dual listing on the AIM market and on the ASX, and a secondary listing on the JSE. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries which are disclosed in Note 8 (together referred to as the “Group”). The Group is involved in mining exploration activity in the RoC. The company is limited by shares.

The registered office of Kore Potash plc’s head office in the United Kingdom is 25 Moorgate, London, United Kingdom EC2R 6AY.

### Changes in accounting policies and disclosures

New and amended Standards and Interpretations adopted by the Group was “IFRS 16 “Leases” for the first time this period.

The Group applied IFRS 16 using the modified (ii) retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated but presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

### Basis of Preparation

#### (a) Statement of Compliance

The annual financial statements of the Company and the Group have been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies adopted by the Group and Company are set out below.

The financial statements were authorised for issue by the Directors on 23 March 2020.

#### (b) Going Concern

During the year ended 31 December 2019, the Group incurred a loss of USD 4,202,752 and experienced net cash outflows from operating and investing activities of USD 11,257,646. Cash and cash equivalents totalled USD 7,578,727 at 31 December 2019.

The Directors have prepared a cash flow forecast for the period ending 30 June 2021, which indicates that the Group will not have sufficient liquidity to meet its working capital requirements to the end of the going concern period, primarily being corporate costs, and Definitive Feasibility Study (“DFS”) costs related to the DX Project. The Directors have therefore considered mitigating actions, which include completion of a capital raising in H2 2020.

As described in Note 18 of the financial statements, the only committed costs in this period relate to the Kola DFS’s payment of USD 1.7m in April 2020, whilst the remaining commitments relate to lease commitments, at total of USD 56,086 with the remaining planned expenditure largely discretionary.

The Directors are planning to raise additional capital in H2 2020 to enable the Group to continue to fund its exploration and development programme and fulfil its working capital requirements. The Directors have identified a number of funding options available to the Group. The Directors note the Group has a history of successfully raising capital on the AIM and JSE, and in the past on the ASX. However, factors beyond the Company’s control, including pandemic diseases such as COVID-19 (coronavirus), which affect the stock markets, may in turn have a negative impact on any fund raising.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### (b) Going Concern (Cont)

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 Directors will continue to pursue further capital raising initiatives in order to have sufficient funds to continue the development of the DX Project and for general corporate purposes.

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.

Should the Directors not be successful in achieving the matters set out above, the Group 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.

##### (c) Basis of Measurement

The consolidated financial statements have been prepared on the basis of historical cost, adjusted for the treatment of certain financial instruments, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

##### (d) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the ultimate parent entity (Kore Potash plc) is US dollars. The functional currency of the subsidiaries are:

- Kore Potash Limited – US Dollars (USD)
- Sintoukola Potash S.A. - CFA Franc BEAC (XAF)
- Dougou Potash Mining S.A. - CFA Franc BEAC (XAF)
- Kola Potash Mining S.A. - CFA Franc BEAC (XAF)
- Kore Potash South Africa (Pty) Ltd – South African RAND (ZAR)

The presentational currency of the Group is US dollars.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### (e) Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into the reporting currency of the Company at the rate of exchange ruling at the reporting date and the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income are translated at the weighted average exchange rates for the period. The exchange differences on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity is recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income. The functional currency for Sintoukola is expected to change to US dollars upon the commencement of mining.

##### (f) Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Control, under IFRS10, is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group, other than in the event of a Group re-organisation as occurred during the year as described below.

The acquisition of Kore Potash Limited by the Company on 20 November 2017 is considered outside the scope of IFRS 3 *Business Combinations* and accordingly has been accounted for as a common control transaction. The investment in Kore Potash Limited acquired by the Company as a result of the internal reorganisation was recognised at a value consistent with the carrying value of the equity items in the Kore Potash Limited accounts immediately prior to the Scheme. In the Parent entity, the difference between the carrying amount of share capital and options issued by the Company under the Scheme and the investment in Kore Potash Limited has been recognised in a Reorganisation Reserve.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting, other than in the Group re-organisation described above. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### (f) Basis of Consolidation (Cont)

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and within equity in the consolidated Statement of Financial Position.

In the Company's financial statements, investments in subsidiaries are carried at cost. A list of controlled entities is contained in Note 8 to the financial statements.

##### (g) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that are recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

##### (h) Property, Plant and Equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed at each reporting date to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

Property plant and equipment includes Drill Equipment, Camp buildings, machinery, office equipment and other transport machinery and equipment.

##### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for the plant and equipment is in the range of 10% - 40%. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation of property, plant and equipment in SPSA is included in Capitalised Exploration and Evaluation Expenditure.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### (i) Financial Assets

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. See Note 1(k) for further details on the recognition and measurement of trade and other receivables and cash and cash equivalents.

Trade and other receivables are initially measured at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

##### (i) Financial Liabilities and Equity

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

##### (ii) Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### (iii) Impairment of Non-Financial Assets Other Than Exploration and Evaluation Assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### **(j) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Trade and other payables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest rate method.

##### **(k) Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

##### **(l) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

##### **(m) Value-Added Tax ("VAT") / Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of VAT / GST, except where the amount of VAT / GST incurred is not recoverable from the relevant jurisdiction's Tax Office. In these circumstances the VAT / GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT / GST.

Cash flows are presented in the Statement of Cash Flow on a gross basis, except for the VAT / GST component of investing and financing activities, which are disclosed as operating cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### (n) Capitalisation of Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount at the reporting date. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is assessed for impairment and the balance is classified as a development asset. The point at which an area of interest is considered developmental is based on finalisation of a definitive feasibility study, a bankable feasibility study and the finalisation of appropriate funding.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Depreciation of fixed assets is also capitalised; this will then be amortised over the useful economic life of the asset.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### (o) Leases

##### *Accounting policy applicable before 1 January 2019*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the year-end date all leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

##### *Accounting policy applicable after 1 January 2019*

IFRS 16 was adopted as of 1 January 2019 without restatement

IFRS 16 was adopted as of 1 January 2019 without restatement of comparative figures. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately. See page 87 for details of the transition.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

##### *Right of use asset*

A right of use asset and a lease liability has been recognized for all leases except leases of low value assets, which are considered to be those with a fair value below USD 5,000, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability adjusted for prepaid and accrued lease payments at the date of transition.

On the statement of financial position, right-of-use assets have been included as a separate line of the Statement of Financial Position.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment. During the year, an impairment of USD 6,922 was recognised with respect to the original South African office lease.

##### *Lease liability*

The lease liability is measured at amortised cost using the effective interest method. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the incremental discount rate relevant to each lease as mandated under the modified retrospective approach. The lease payments include fixed payments, including in substance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

##### (p) Share Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value grant rate is independently determined using the different option pricing models that takes into account the exercise price, the term of the option, the market and non-market based vesting and performance criteria, the impact of dilution, the tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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.

When share options and performance rights are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values

##### (q) Employee Benefits

###### (i) *Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

###### (ii) *Pension contributions*

Contributions are made by the Group to pension funds as stipulated by statutory requirements and are charged as expenses when incurred.

###### (iii) *Employee benefit on costs*

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

##### (r) Earnings per Share

###### (i) *Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

###### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

##### (s) Issued Capital

Ordinary shares and CDIs are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the issue of new shares or options incurred in connection with a business combination, are included in the cost of the acquisition as part of the purchase consideration.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### (t) Critical Accounting Judgements and Estimates

In the application of the Group's accounting policies, which are described in this note, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving significant accounting judgment are set out in the tables below:

| Critical accounting judgement                                                                                     | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impairment of exploration and evaluation assets, recovery of parent company investments and intercompany balances | <p>The ultimate recovery of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets. Please see note 7 (p.89) for the disclosure of the exploration and evaluation asset</p> <p>On a regular basis, management consider whether there are indicators as to whether the asset carrying values exceed their recoverable amounts. This consideration includes assessment of the following:</p> <ul style="list-style-type: none"> <li>(a) expiration of the period for which the entity has the right to explore in the specific area of interest with no plans for renewal;</li> <li>(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;</li> <li>(c) exploration for and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and</li> <li>(d) whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.</li> </ul> <p>Management judgement is required to determine whether the expenditures which are capitalised as exploration and evaluation assets will be recovered by future exploitation or sale or whether they should be impaired. In assessing this, management determines the possibility of finding recoverable ore reserves related to a particular area of interest, which is a subject to significant uncertainties. Many of the factors, judgements and variables involved in measuring resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in resources could impact the carrying value of exploration and evaluation assets.</p> <p>Where an impairment indicator is identified, the determination of the recoverable amount requires the use of estimates and judgement in determining the inputs and assumptions used in determining the recoverable amounts.</p> <p>The key areas of judgement include:</p> <ul style="list-style-type: none"> <li>• Recent exploration and evaluation results and resource estimates;</li> <li>• Environmental issues that may impact on the underlying tenements;</li> <li>• Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.</li> </ul> <p>Based on the information the Company has on the above, it was concluded by management that amounts were recoverable, and that no write down of exploration and evaluation assets, the Company's investment in subsidiaries, and intercompany balances was recognised. This may change as new information becomes available.</p> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### (t) Critical Accounting Judgements and Estimates (Cont)

| Critical accounting judgement                                          | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Classification of capitalised exploration and evaluation costs to date | <p>Management judgement is required as to whether the assets associated with the Kola Potash Project represents an exploration asset to be accounted for under IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>, or a development asset to be accounted for under IAS 16 <i>Property, Plant and Equipment</i> or IAS 36 <i>Impairment of Assets</i>. A conclusion that consideration is required under IAS 16 or IAS 36 would mean that a full impairment test of the assets associated with the Kola Potash Project would have been required during 2019.</p> <p>In reaching the judgement that the assets associated with the Kola Potash Project should remain capitalised as exploration and evaluation assets, management has assessed whether technical and commercial viability of extracting mineral resources has been demonstrated. Given the ongoing negotiation with the FC over the final construction cost, and remaining permits to be obtained from the RoC, the Group has concluded that final technical and commercial viability of the Kola Potash Project has yet to be finalised.</p> |

#### (u) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are set out in the table below.

| Estimation Uncertainty                                                                  | Details                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Timing of achieving milestones related to share-based payment arrangements in existence | <p>The share-based payments arrangements are expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each reporting date, vesting assumptions are reviewed to ensure they reflect current expectations and immediately recognises any impact of the revision to original estimates. If fully vested share options are not exercised and expire then the accumulated expense in respect of these is reclassified to accumulated losses.</p> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### (v) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, which is responsible for allocating resources and assessing performance of the operating segments.

#### (w) New and Revised Accounting Standards and Interpretations Adopted

From 1 January 2019 the following standards and amendments are effective in the Group's financial statements:

- IFRS16 Leases

The impact of adoption of these standards and the key changes to the accounting policies are disclosed below. Other amendments to IFRSs that became effective for the period beginning on 1 January 2019 did not have any impact on the Group's accounting policies.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Adoption of IFRS 16 eliminates the classification for lessees of leases as operating leases or finance leases and treats all in a similar way to finance leases. It replaced IAS 17 Leases and related interpretations.

#### *Explanation of changes in accounting policies*

The details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods and services are set out below:

| Type of lease                   | New accounting policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Nature of change in accounting policy                                                                                                               |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Long term property leases       | Liabilities for such leases are recognised and measured at the present value of the remaining lease payments. For new leases these are discounted using the incremental borrowing rate ("IBR") relevant for the lease.<br>The weighted average IBR applied to leases at 1 January 2019 was 8%.<br>A right of use asset has been recognised using the retrospective approach at an amount equal to the lease liability on a lease by lease basis, adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease at 1 January 2019. | Under IAS 17, such lease payments were recognised on a straight-line basis over the lease term and the leases were effectively 'off balance sheet'. |
| Short term and low value leases | A practical expedient offered by IFRS 16 has been applied to not recognise a lease liability and right of use asset for such leases but to recognise payments on a straight-line basis over the lease term. Such leases are considered to either have a lease term of no more than 12 months or an underlying asset value of no more than £4,500. IFRS 16 did not have a significant impact on the Group's accounting policies.                                                                                                                                                  | There were no short term or low value leases at year end                                                                                            |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### New and Revised Accounting Standards and Interpretations Adopted (Cont)

##### *Practical exemptions applied:*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard: On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Single discount rate for portfolio of similar leases

In applying IFRS 16 for the first time, the Group has used the following recognition expedients permitted by the standard: The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

##### Effect of adopting IFRS 16

The Group has adopted IFRS 16 using the modified retrospective method (including appropriate practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2019). Accordingly, the information presented for 2018 has not been restated but instead presented, as previously reported, under IAS 17 and related interpretations. The impact of transition to IFRS 16 on retained earnings at 1 January 2019 wholly relates to the change in policy for the recognition long term property and vehicle leases as explained above can be seen in the reconciliation to Consolidated Statement of Financial Position on page 100.

#### Measurement of lease Liabilities

|                                                                                             | 1 Jan 2019<br>USD |
|---------------------------------------------------------------------------------------------|-------------------|
| <b>Current</b>                                                                              |                   |
| Operating lease commitments disclosed as at 31 December 2018                                | 216,702           |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 3,739             |
| <b>Lease liabilities recognised at 1 January 2019</b>                                       | <u>220,439</u>    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### Basis of Preparation (Cont)

#### New and Revised Accounting Standards and Interpretations Adopted (Cont)

|                                                         | Reconciliation of the transition of IFRS 16 Consolidated<br>Statement of Financial Position |                |                  |                              |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------|------------------|------------------------------|
|                                                         | 1 Jan 2019<br>IAS 17<br>USD                                                                 | ROU Asset      | Lease Liability  | 1 Jan 2019<br>IFRS 16<br>USD |
| <b>CURRENT ASSETS</b>                                   |                                                                                             |                |                  |                              |
| Cash and cash equivalents                               | 6,187,113                                                                                   | -              | -                | 6,187,113                    |
| Trade and other receivables                             | 345,155                                                                                     | -              | -                | 345,155                      |
| <b>TOTAL CURRENT ASSETS</b>                             | <b>6,532,268</b>                                                                            | -              | -                | <b>6,532,268</b>             |
| <b>NON CURRENT ASSETS</b>                               |                                                                                             |                |                  |                              |
| Trade and other receivables                             | 120,922                                                                                     | -              | -                | 120,922                      |
| Property, plant and equipment                           | 302,255                                                                                     | -              | -                | 302,255                      |
| Exploration and evaluation expenditure                  | 149,863,323                                                                                 | -              | -                | 149,863,323                  |
| Investment in subsidiary                                | -                                                                                           | -              | -                | -                            |
| Right-of-use-asset                                      | -                                                                                           | 220,439        | -                | 220,439                      |
| <b>TOTAL NON CURRENT ASSETS</b>                         | <b>150,286,500</b>                                                                          | <b>220,439</b> | -                | <b>150,506,939</b>           |
| <b>TOTAL ASSETS</b>                                     | <b>156,818,768</b>                                                                          | <b>220,439</b> | -                | <b>157,039,207</b>           |
| <b>CURRENT LIABILITIES</b>                              |                                                                                             |                |                  |                              |
| Trade and other payables                                | 1,702,392                                                                                   | -              | -                | 1,702,392                    |
| Derivative financial liability                          | 503,398                                                                                     | -              | -                | 503,398                      |
| <b>TOTAL CURRENT LIABILITIES</b>                        | <b>2,205,790</b>                                                                            | -              | -                | <b>2,205,790</b>             |
| <b>NON CURRENT LIABILITIES</b>                          |                                                                                             |                |                  |                              |
| Lease liability                                         | -                                                                                           | -              | 220,439          | 220,439                      |
| <b>TOTAL NON CURRENT LIABILITIES</b>                    | <b>-</b>                                                                                    | -              | <b>220,439</b>   | <b>220,439</b>               |
| <b>TOTAL LIABILITIES</b>                                | <b>2,205,790</b>                                                                            | -              | <b>220,439</b>   | <b>2,426,229</b>             |
| <b>NET ASSETS</b>                                       | <b>154,612,978</b>                                                                          | <b>220,439</b> | <b>(220,439)</b> | <b>154,612,978</b>           |
| <b>EQUITY</b>                                           |                                                                                             |                |                  |                              |
| Contributed equity – Ordinary Shares                    | 860,852                                                                                     | -              | -                | 860,852                      |
| Reserves                                                | 213,644,634                                                                                 | -              | -                | 213,644,634                  |
| Accumulated losses                                      | (59,331,800)                                                                                | -              | -                | (59,331,800)                 |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF<br/>THE COMPANY</b> | <b>155,173,686</b>                                                                          | -              | -                | <b>155,173,686</b>           |
| Non-controlling interests                               | (560,708)                                                                                   | -              | -                | (560,708)                    |
| <b>TOTAL EQUITY</b>                                     | <b>154,612,978</b>                                                                          | -              | -                | <b>154,612,978</b>           |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

|                                                                                                                                                                                                                                                                                                                                                   | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <b>NOTE 2: LOSS FOR THE YEAR</b>                                                                                                                                                                                                                                                                                                                  |                           |                           |                                        |                                        |
| <b>Expenses</b>                                                                                                                                                                                                                                                                                                                                   |                           |                           |                                        |                                        |
| <b>(a) Equity based payments – directors, KMP and other employees</b>                                                                                                                                                                                                                                                                             | 907,102                   | 695,345                   | 907,102                                | 695,345                                |
|                                                                                                                                                                                                                                                                                                                                                   | 907,102                   | 695,345                   | 907,102                                | 695,345                                |
| <b>(b) Administration Expenses</b>                                                                                                                                                                                                                                                                                                                |                           |                           |                                        |                                        |
| Accounting, company secretarial and audit fees                                                                                                                                                                                                                                                                                                    | 331,974                   | 236,530                   | 524,378                                | 399,274                                |
| Insurance expenses                                                                                                                                                                                                                                                                                                                                | 61,518                    | 43,370                    | 84,784                                 | 118,779                                |
| Legal fees                                                                                                                                                                                                                                                                                                                                        | 67,102                    | -                         | 75,865                                 | 64,944                                 |
| Compliance, registration and other tax fees                                                                                                                                                                                                                                                                                                       | 217,059                   | 155,299                   | 240,253                                | 584,808                                |
| Marketing and investor relations                                                                                                                                                                                                                                                                                                                  | 96,825                    | -                         | 110,002                                | 169,591                                |
| Premises and office related costs                                                                                                                                                                                                                                                                                                                 | -                         | -                         | 706                                    | 87,002                                 |
| South Africa Recharge                                                                                                                                                                                                                                                                                                                             | 652,310                   | -                         | -                                      | -                                      |
| Professional fees                                                                                                                                                                                                                                                                                                                                 | -                         | -                         | 100,171                                | 143,420                                |
| Recruitment fees                                                                                                                                                                                                                                                                                                                                  | 30,000                    | 179,017                   | 41,928                                 | 179,017                                |
| Travel and accommodation expenses                                                                                                                                                                                                                                                                                                                 | 164,868                   | 36,353                    | 240,205                                | 417,350                                |
| SPSA Depreciation reversal (i)                                                                                                                                                                                                                                                                                                                    | -                         | -                         | (732,978)                              | -                                      |
| Other expenses                                                                                                                                                                                                                                                                                                                                    | 16,286                    | 4,066                     | 559,727                                | 158,991                                |
|                                                                                                                                                                                                                                                                                                                                                   | 1,637,942                 | 654,635                   | 1,245,041                              | 2,323,176                              |
| (i) Kola and DX projects are in Exploration & Evaluation (E&E) phase. No amortisation and depreciation for E&E assets. Any Property Plant & Equipment (PP&E) used in E&E phase are depreciated and depreciation charge is capitalised in E&E assets accordingly. Some depreciation charges were expensed in prior years but now reversed in 2019. |                           |                           |                                        |                                        |
| <b>(c) Salaries, employee benefits and consultancy expense</b>                                                                                                                                                                                                                                                                                    |                           |                           |                                        |                                        |
| Wages and Salaries                                                                                                                                                                                                                                                                                                                                | 77,115                    | -                         | 952,650                                | 409,524                                |
| Social Security costs                                                                                                                                                                                                                                                                                                                             | -                         | -                         | 81,333                                 | 147,865                                |
| Consultancy costs                                                                                                                                                                                                                                                                                                                                 | 511,158                   | 19,849                    | 653,436                                | 768,116                                |
|                                                                                                                                                                                                                                                                                                                                                   | 588,273                   | 19,849                    | 1,687,419                              | 1,325,505                              |
| <b>(d) Average number of employees</b>                                                                                                                                                                                                                                                                                                            | <b>Number</b>             | <b>Number</b>             | <b>Number</b>                          | <b>Number</b>                          |
| Operational                                                                                                                                                                                                                                                                                                                                       | -                         | -                         | 21                                     | 17                                     |
| Head Office                                                                                                                                                                                                                                                                                                                                       | 5                         | 5                         | 15                                     | 26                                     |
|                                                                                                                                                                                                                                                                                                                                                   | 5                         | 5                         | 36                                     | 43                                     |

Total staff costs for the Group in the year ended 31 December 2019 were USD 3,452,966 (2018: USD 2,279,499). The staff costs incurred during the year at a subsidiary, SPSA, of USD 1,808,187 has been capitalised as Exploration and Exploration Asset (2018: USD 1,869,975).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 3: INCOME TAX EXPENSE

The components of tax expense comprise:

Current tax – foreign tax

Deferred tax

**Total income tax expense**

|                                 | Parent   |          | Consolidated Entity |               |
|---------------------------------|----------|----------|---------------------|---------------|
|                                 | Dec 2019 | Dec 2018 | Dec 2019            | Dec 2018      |
|                                 | USD      | USD      | USD                 | USD           |
| Current tax – foreign tax       | -        | -        | 24,276              | 17,039        |
| Deferred tax                    | -        | -        | -                   | -             |
| <b>Total income tax expense</b> | <b>-</b> | <b>-</b> | <b>24,276</b>       | <b>17,039</b> |

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

|                                                                              | Parent       |             | Consolidated Entity |               |
|------------------------------------------------------------------------------|--------------|-------------|---------------------|---------------|
|                                                                              | Dec 2019     | Dec 2018    | Dec 2019            | Dec 2018      |
|                                                                              | USD          | USD         | USD                 | USD           |
| Loss before tax                                                              | (19,593,519) | (1,715,799) | (4,178,476)         | (6,252,327)   |
| Parent company tax on loss at the UK corporation tax rate of 19% (2018: 19%) | (3,722,769)  | (326,002)   | (793,910)           | -             |
| Group tax on loss at the Australian corporation tax rate of 30% (2018: 30%)  | -            | -           | -                   | (1,875,698)   |
| Different tax rates of subsidiaries operating in different jurisdictions     | -            | -           | 189,991             | 509,939       |
|                                                                              | (3,722,769)  | (326,002)   | (603,919)           | (1,365,759)   |
| Tax effect of:                                                               |              |             |                     |               |
| Net non-deductible expenses                                                  | 4,059        | 195,462     | 174,600             | 811,221       |
| Deferred tax asset not recognised                                            | 404,915      | 130,540     | 453,595             | 571,577       |
| Permanent differences                                                        | 3,266,158    | -           | -                   | -             |
| Adjustments to opening and closing deferred tax                              | 47,637       | -           | -                   | -             |
|                                                                              | 3,722,769    | 326,002     | 628,195             | 1,382,798     |
| <b>Income tax expense</b>                                                    | <b>-</b>     | <b>-</b>    | <b>24,276</b>       | <b>17,039</b> |

The statutory tax rate of Kore Potash plc is 19% (2018: 19%), representing the UK corporation tax rate. The Group is subject to varying statutory rates, primarily being Australia (30%), Congo (see Note 7 regarding corporate tax concessions applicable under the new mining convention) and South Africa (28%). The current tax expense of USD 24,276 (2018: USD 17,039) arose on the pre-tax income generated in South Africa for intercompany management services.

No deferred tax has been recognised in respect of the Group's tax losses of USD 14,759,166 (2018: USD 11,499,637) that are available for offset against any future taxable profits in the companies in which the losses arose. Of these tax losses, USD 11,880,835 arose from the Australian entity and USD 2,878,331 arose from the parent entity (2018: USD 10,801,215 from the Australian entity and USD 698,422 from the parent entity).

The tax losses which arose from the Australian entity can be carried forward indefinitely to be offset against future years' profits. A deduction for prior years' losses will be denied where the Company cannot satisfy a 'continuity of ownership' test or, failing this, the alternative 'same business test'.

With effect from 1 April 2017, new tax legislation has been introduced in the UK with regard to the use of brought forward tax losses. The impact of these rules means that the tax treatment of brought forward losses may be different for losses arising before and after 1 April 2017. The majority of the tax losses which arose from the Parent entity arose after 1 April 2017, and therefore there is a potential restriction on how much these can be used to offset against any future years' profits. Generally, the amount of profit which can be offset against losses carried forward is restricted to 50% of the amount of profits in excess of GBP 5 million. Profits under the annual GBP 5 million group deduction allowance can be offset by losses in full. Where a company is in a group the USD 5 million allowance will apply to the group. Based on the Parent entity's current income tax position the majority of its tax losses can be offset against any future income in the Parent, or can be group relieved.

Deferred tax assets have not been recognised in respect of the losses arising from the Australian entity or the parent entity due to the uncertainty around timing of generating sufficient taxable profits in future to utilise the losses. These losses may also not be utilised to offset taxable profits elsewhere in the group.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

|                                          | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <b>NOTE 4: CASH AND CASH EQUIVALENTS</b> |                           |                           |                                        |                                        |
| Cash at bank                             | 7,046,089                 | -                         | 7,578,727                              | 6,187,113                              |
|                                          | <u>7,046,089</u>          | <u>-</u>                  | <u>7,578,727</u>                       | <u>6,187,113</u>                       |

|                                                | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|------------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>     |                           |                           |                                        |                                        |
| <b>Current</b>                                 |                           |                           |                                        |                                        |
| Advance to employees                           | -                         | -                         | 19,640                                 | 112,071                                |
| Interest receivable                            | -                         | -                         | -                                      | 4,345                                  |
| Net GST, PAYE and VAT recoverable              | 51,690                    | 135,121                   | 62,333                                 | 82,739                                 |
| Prepayments                                    | 119,111                   | 47,073                    | 187,539                                | 56,400                                 |
| Amounts due from subsidiaries (i) (ii)         | 141,887,553               | 12,499,003                | -                                      | -                                      |
| Other receivables                              | 9,587                     | -                         | 89,442                                 | 89,600                                 |
|                                                | <u>142,067,941</u>        | <u>12,681,197</u>         | <u>358,954</u>                         | <u>345,155</u>                         |
| <b>Non-Current</b>                             |                           |                           |                                        |                                        |
| Deposits related to investments in DPM and KPM | -                         | -                         | 198,432                                | 120,922                                |
|                                                | <u>-</u>                  | <u>-</u>                  | <u>198,432</u>                         | <u>120,922</u>                         |
| <b>Total Trade and Other Receivables</b>       | <u>142,067,941</u>        | <u>12,681,197</u>         | <u>557,386</u>                         | <u>466,077</u>                         |

- (i) The amount due from a subsidiary is interest-free and is repayable on demand.
- (ii) The increase in the year relates to the transfer of intercompany balances from Kore Potash Limited

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. The loans to the subsidiaries, Sintoukola Potash S.A. and Kore Potash Limited, are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have assessed the cash flows associated with a number of different recovery scenarios. This included consideration of the exploration project risk, country risk and the value of the potential reserves.

| <b>EXPECTED CREDIT LOSS PROVISION</b>                   | <b>Parent<br/>Dec 2019<br/>USD</b> |
|---------------------------------------------------------|------------------------------------|
| As at 1 January                                         | -                                  |
| Increase in the year in relation to Kore Potash Limited | 16,375,499                         |
| As at 31 December                                       | <u>16,375,499</u>                  |

As at 31 December 2019 there were no other receivables that were past due but not impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 6: PROPERTY, PLANT AND EQUIPMENT

|                                                           | Parent          |                 | Consolidated Entity |                 |
|-----------------------------------------------------------|-----------------|-----------------|---------------------|-----------------|
|                                                           | Dec 2019<br>USD | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD |
| Plant and equipment – at cost                             | -               | -               | 2,126,711           | 1,855,971       |
| Less accumulated depreciation                             | -               | -               | (1,565,308)         | (1,553,716)     |
|                                                           | -               | -               | <b>560,711</b>      | <b>302,255</b>  |
| <b>Reconciliation:</b>                                    |                 |                 |                     |                 |
| Opening balance                                           | -               | -               | 302,255             | 413,801         |
| Additions                                                 | -               | -               | 392,334             | 8,452           |
| Depreciation capitalised under exploration and evaluation | -               | -               | (89,267)            | (90,023)        |
| Depreciation expensed                                     | -               | -               | (13,161)            | (7,078)         |
| Disposals                                                 | -               | -               | (15,667)            | (5,500)         |
| Foreign exchange differences                              | -               | -               | (15,783)            | (17,347)        |
| Closing balance at period end                             | -               | -               | <b>560,711</b>      | <b>302,255</b>  |

### NOTE 6A: RIGHT-OF-USE-ASSET

|                                | Parent          |                 | Consolidated Entity |                 |
|--------------------------------|-----------------|-----------------|---------------------|-----------------|
|                                | Dec 2019<br>USD | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD |
| Right-of-use asset at cost     | -               | -               | 234,149             | -               |
| Less accumulated depreciation  | -               | -               | (184,917)           | -               |
| Less: impairment               | -               | -               | (6,594)             | -               |
|                                | -               | -               | <b>42,278</b>       | -               |
| <b>Reconciliation:</b>         |                 |                 |                     |                 |
| Adjustment for adoption (cost) | -               | -               | 220,439             | -               |
| Additions                      | -               | -               | 14,557              | -               |
| Depreciation                   | -               | -               | (184,917)           | -               |
| Impairment                     | -               | -               | (6,594)             | -               |
| Foreign exchange differences   | -               | -               | (1,207)             | -               |
| Closing balance at period end  | -               | -               | <b>42,278</b>       | -               |

### NOTE 6B: LEASE LIABILITIES

|         | Parent          |                 | Consolidated Entity |                 |
|---------|-----------------|-----------------|---------------------|-----------------|
|         | Dec 2019<br>USD | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD |
| Current | -               | -               | 55,582              | -               |
|         | -               | -               | <b>55,582</b>       | -               |

#### The nature and accounting of Group's leasing activities

All the Group leases contracts are for property with lease terms of 12 months or less. The Group has applied the recognition exemptions for these leases. The accounting of all Group leases is explained on pages 94 to 100.

Contracts may contain both lease and non-lease components. The Group allocates consideration between lease and non-lease components based on the price a lessor, or similar supplier, would charge to purchase that component separately.

The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease terms vary between contracts and depend on the individual facts and circumstances of the contract.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.172%.

There were no low value or short term leases during the year or at year end.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

|                                                                    | Parent          |                 | Consolidated Entity |                    |
|--------------------------------------------------------------------|-----------------|-----------------|---------------------|--------------------|
|                                                                    | Dec 2019<br>USD | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD    |
| Opening balance                                                    | -               | -               | 149,863,323         | 140,254,520        |
| Exploration and evaluation expenditure capitalised during the year | -               | -               | 8,908,236           | 16,107,446         |
| Foreign exchange differences                                       | -               | -               | (2,752,199)         | (6,498,643)        |
| Closing balance at period end                                      | -               | -               | <b>156,019,360</b>  | <b>149,863,323</b> |
| Exploration and evaluation expenditure relating to:                |                 |                 |                     |                    |
| Kola Potash Mining project                                         | -               | -               | 132,153,210         | 128,878,868        |
| Dougou Potash Mining project                                       | -               | -               | 23,866,150          | 20,984,455         |
|                                                                    | -               | -               | <b>156,019,360</b>  | <b>149,863,323</b> |

On 8 June 2017, a mining convention was signed by the Group and the Government of the RoC. The convention governs the conditions of construction, operation and mine closure of the Kola and Dougou (including Dougou Extension) mining projects. The terms and conditions of the mining convention include key investment promotion provisions, including the following:

- Corporate tax concessions applicable for the first 10 years of each mining permit as production capacity is extended, which includes zero corporation tax for the first five years from profitability, and a corporation tax rate of 7.5% for the next five years;
- An ongoing corporation tax rate of 15% for the rest of the life of mine;
- Exemptions from withholding taxes including interest, dividends and capital gains during the term of the mining convention;
- VAT and import duty exemptions (including all subcontractors) during construction;
- Royalties of 3% payable to the RoC, which is based on an equivalent to EBITDA;
- Guarantee from the RoC that it will facilitate and support the implementation of the project, as defined in the convention (for example, in granting the necessary consents to permit export of the final product through the use of a dedicated jetty); and
- The RoC to be granted a 3% carried equity interest in the project companies, which are currently wholly-owned by Kore Potash Limited's subsidiary, SPSA.

The mining convention has a term which covers the life of the Kola and Dougou mining permits including any extension (25 years plus 15 year extension, renewable indefinitely upon proven mineable ore resources). The Group was awarded the Sintoukola 2 Exploration Permit dated 9 February 2018 by the government of the RoC.

On 7 December 2018, the Mining Convention covering the proposed staged development of the Kola and Dougou Mining Licences was gazetted into law following ratification by the Parliament of the Republic of the Congo.

The result of this law being gazetted was that the RoC government were now entitled to a 10% equity interest in Dougou and Kola. There is currently no shareholder agreement in place for this agreement.

Further information regarding the non-controlling interest is available in Note 12 (e).

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 8: CONTROLLED ENTITIES

| Controlled Entities                             | Country of Incorporation | Percentage Owned | Investment      | Percentage Owned | Investment      |
|-------------------------------------------------|--------------------------|------------------|-----------------|------------------|-----------------|
|                                                 |                          | 31 Dec 2019 %    | 31 Dec 2019 USD | 31 Dec 2018 %    | 31 Dec 2018 USD |
| Kore Potash Limited (i)                         | Australia                | 100              | 67              | 100              | 139,350,094     |
| Sintoukola Potash S.A. ("SPSA") (i)             | Republic of Congo        | 97               | 1               | 97               | 9,387,413       |
| Kore Potash South Africa (Pty) Ltd ("KPSA") (i) | South Africa             | 100              | 1               | 100              | 1,192           |
| Held through Sintoukola Potash S.A.:            |                          |                  |                 |                  |                 |
| Kore Potash Mining S.A. ("KPM")                 | Republic of Congo        | 100              | 18,264          | 100              | 18,264          |
| Dougou Potash Mining S.A. ("DPM")               | Republic of Congo        | 100              | 18,264          | 100              | 18,264          |

The principal activity of Kore Potash Limited during the financial year was for administrative and operational support for the exploration for potash minerals prospects. The registered office of Kore Potash Limited is Level 3, 88 William Street, Perth WA 6000.

The principal activity of SPSA and its two subsidiaries, KPM and DPM, during the financial year was exploration for potash minerals prospect. The registered office for the three entities is 24 Avenue Charles de Gaulle, Immeuble Atlantic Palace BP 662 Pointe Noire, République du Congo.

The principal activity of Kore Potash South Africa (Pty) Ltd during the financial year was for South African administrative and operational support for the exploration for potash minerals prospects. The registered office is 2 Bruton Road, Block C, Nicol Main Office Park, Bryanston, Johannesburg, South Africa.

- (i) During the year, a capital restructure was affected, which saw the holding in SPSA and KPSA and the intercompany loan with SPSA transferred from Kore Potash Limited to Kore Potash Plc.

|                                         | Parent           |                | Consolidated Entity |                  |
|-----------------------------------------|------------------|----------------|---------------------|------------------|
|                                         | Dec 2019 USD     | Dec 2018 USD   | Dec 2019 USD        | Dec 2018 USD     |
| <b>NOTE 9: TRADE AND OTHER PAYABLES</b> |                  |                |                     |                  |
| <b>Current</b>                          |                  |                |                     |                  |
| Trade and other creditors               | 251,730          | -              | 537,471             | 388,350          |
| Accruals                                | 1,964,451        | 144,217        | 2,119,563           | 1,293,613        |
| Employee benefits and related payables  | 26,057           | -              | 172,744             | -                |
| Amounts due to a subsidiary             | 652,310          | -              | -                   | -                |
| Income tax payable                      | -                | -              | -                   | 20,429           |
| Other Payables (i)                      | -                | -              | 138,315             | -                |
| <b>Total Trade and Other Payables</b>   | <b>2,894,748</b> | <b>144,217</b> | <b>2,968,093</b>    | <b>1,702,392</b> |

- (i) This relates to the ongoing litigation in the RoC as described in Note 24

Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

|                                                                           | Parent          |                 | Consolidated Entity |                 |
|---------------------------------------------------------------------------|-----------------|-----------------|---------------------|-----------------|
|                                                                           | Dec 2019<br>USD | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD |
| Equity warrants exercisable at AUD 0.30<br>each expiring on 29 March 2021 | 1,053           | 503,398         | 1,053               | 503,398         |
|                                                                           | <b>1,053</b>    | <b>503,398</b>  | <b>1,053</b>        | <b>503,398</b>  |

The above amounts relate to the following:

The value of the free-attaching warrants provided to shareholders who participated in the share issue completed on 29 March 2018 (83,523,344 shares issued at AUD 0.20 each). A total of 12,894,659 equity warrants exercisable at AUD 0.30 expiring 29 March 2021 were issued with a Black-Scholes valuation method of USD 0.0476 per warrant.

The derivative financial liability was revalued at 31 December 2019 using the Black-Scholes valuation method with the net change in fair value of the derivative financial liability of USD 502,345 taken to the statement of profit or loss.

The inputs used in the measurement of these warrants were as follows:

| Input into the model   | At grant date | At 31 Dec 2018 | At 31 Dec 2019 |
|------------------------|---------------|----------------|----------------|
| Spot price             | AUD 0.145     | GBP 0.072      | GBP 0.0115     |
| Expected volatility    | 91.67%        | 110.60%        | 91.97%         |
| Life of warrants       | 3 years       | 2.24 years     | 1.24 years     |
| Fair value per warrant | USD 0.0476    | USD 0.039      | USD 0.000066   |

### NOTE 11: ISSUED CAPITAL

|                                                                                                                                                                    | Parent           |                 | Consolidated Entity |                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|---------------------|-----------------|
|                                                                                                                                                                    | Dec 2019<br>USD  | Dec 2018<br>USD | Dec 2019<br>USD     | Dec 2018<br>USD |
| 1,541,253,564 Fully Paid Ordinary Shares at par value of<br>USD 0.001 each (31 December 2018: 860,852,693 Fully<br>Paid Ordinary Shares at par value of USD 0.001) | 1,541,253        | 860,852         | 1,541,253           | 860,852         |
| Fully Paid Ordinary Shares                                                                                                                                         | <b>1,541,253</b> | <b>860,852</b>  | <b>1,541,253</b>    | <b>860,852</b>  |

| Date               | Details                                                                                                                            | No. of Shares        | USD              |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|
| <b>31 Dec 2017</b> | <b>Balance at 31 Dec 2017 (i)</b>                                                                                                  | <b>771,395,766</b>   | <b>771,396</b>   |
| 29 Mar 2018        | Capital raising at AUD 0.20 each (ii)                                                                                              | 83,523,344           | 83,523           |
| 29 Mar 2018        | Share-based capital raising costs at AUD 0.12 each (iii)                                                                           | 4,315,333            | 4,315            |
| 27 Jul 2018        | Conversion of USD 250,000 convertible loan note calculated by<br>reference to the price of shares being at AUD 0.20 per share (iv) | 1,618,250            | 1,618            |
| <b>31 Dec 2018</b> | <b>Closing balance (v)</b>                                                                                                         | <b>860,852,693</b>   | <b>860,852</b>   |
| 13 Feb 2019        | Conversion of Class C Performance Rights (vi)                                                                                      | 1,886,996            | 1,887            |
| 17 Jul 2019        | Capital raising at GBP0.016 each (viii)                                                                                            | 646,915,254          | 646,915          |
| 18 Oct 2019        | Issue of equity and performance rights (vii)                                                                                       | 5,787,223            | 5,788            |
| 5 Dec 2019         | Drill rig share issue (ix)                                                                                                         | 22,000,000           | 22,000           |
| 31 Dec 2019        | Equity issued to directors in lieu of payment (x)                                                                                  | 3,811,398            | 3,811            |
| <b>31 Dec 2019</b> | <b>Closing balance</b>                                                                                                             | <b>1,541,253,564</b> | <b>1,541,253</b> |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 11: ISSUED CAPITAL (CONT)

#### *Movement in Share Capital of Consolidated Entity*

- (i) At 31 December 2017, Kore Potash Limited was the parent company of the Group and had 771,365,766 Fully Paid Ordinary Shares in issuance with a nominal value of USD 771,396.
- (ii) On 29 March 2018, a total of USD 12,894,659 was raised from existing and new investors through the placing and direct subscription of 83,523,344 ordinary shares in the Company at a placing price of AUD 0.20 per new ordinary share. The par value of the 83,523,344 ordinary shares was USD 83,523.
- (iii) On 29 March 2018, 4,315,333 ordinary shares were issued to Canaccord Genuity Ltd and Rencap Securities (Pty) Limited as part of their placing fee at a deemed issued price of AUD 0.12 per ordinary share. The par value of the 4,315,333 ordinary shares was USD 4,315.
- (iv) On 26 March 2018, the Company entered into a convertible loan note with the Chairman, David Hathorn, to lend USD 250,000 to the Company. The convertible loan note did not attract interest and was unsecured. At the Company's AGM on 27 June 2019, the shareholders approved the conversion of the convertible loan note into 1,618,250 shares at AUD 0.20 per share and 250,000 free-attaching warrants. The shares and warrants were issued on 27 July 2019.
- (v) As a result, the Group's Fully Paid issued capital has a nominal value of USD 771,396 at 31 December 2018. The shares in the Company were issued on a 1:1 basis with shares in Kore Potash Limited which had a nominal value of USD 204,510,196 at the date of the commencement of the Scheme. The surplus value of USD 203,738,800 compared to the nominal value of the Company's shares has been recognised in a new Merger Reserve. Please refer to Note 12(d) for details.
- (vi) On 13 February 2019, 1,886,996 Class C Performance Rights were converted into fully paid ordinary shares. The par value of the 1,886,996 ordinary shares was USD 1,887.
- (vii) On 17 July 2019, a total of USD 13,457,784 was raised from existing and new investors through the placing and direct subscription of 646,914,254 ordinary shares in the Company at a placing price of GBP 0.016 per new ordinary share. The par value of the 646,914,254 ordinary shares was USD 646,915.
- (viii) On 17 July 2019, the issue of shares to certain Non-Executive Directors in lieu of remuneration or part remuneration in respect of four quarterly periods ending 30 June 2020 was approved by shareholders at the General Meeting of the Company. Subsequently, on 18 October 2019, 4,224,723 shares were awarded in-lieu-of cash to David Hathorn, David Netherway and Jonathan Trollip. In the same announcement it was announced that, further to the unconditional vesting of the Performance Rights issued to certain Non-Executive Directors and Mr Leonard Math, a former Non-Executive Director, on 29 March 2019, being the first anniversary of admission to trading on AIM and as announced on 15 April 2019 and 21 June 2019, 1,562,500 ordinary shares were issued to satisfy the Performance Rights. Accordingly, a total of 5,787,223 shares were issued at a par value of USD 5,788.
- (ix) On 5 December 2019, the Group acquired two drill rigs with ancillary equipment; in exchange for the drill rigs, the Group issued 22,000,000 ordinary shares at a deemed price of £0.01225 to Equity Drilling Limited. The par value of 22,000,000 shares was USD 22,000.
- (x) On 31 December 2019, the Group issued in lieu of payment, 3,811,398 to David Hathorn, David Netherway and Jonathan Trollip. The par value of this issue was USD 3,811



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 12: RESERVES

|                                          | Parent             |                    | Consolidated Entity |                    |
|------------------------------------------|--------------------|--------------------|---------------------|--------------------|
|                                          | Dec 2019           | Dec 2018           | Dec 2019            | Dec 2018           |
|                                          | USD                | USD                | USD                 | USD                |
| SBP reserve (a)                          | 10,439,608         | 12,161,843         | 10,439,608          | 12,161,843         |
| Share premium reserve (b)                | 25,573,592         | 13,054,936         | 25,573,592          | 13,054,936         |
| Foreign currency translation reserve (c) | -                  | -                  | (18,415,577)        | (15,310,945)       |
| Merger reserve (d)                       | 203,738,800        | 203,738,800        | 203,738,800         | 203,738,800        |
| Reorganisation reserve (e)               | (76,011,124)       | (76,011,124)       | -                   | -                  |
| <b>Total Reserves</b>                    | <b>163,740,876</b> | <b>152,944,455</b> | <b>221,336,423</b>  | <b>213,644,634</b> |

#### (a) SBP Reserve

|                                                               |                   |                   |                   |                   |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance                                               | 12,161,843        | 11,814,770        | 12,161,843        | 11,814,770        |
| Value of lapsed options transferred to accumulated losses (i) | (2,951,318)       | (888,202)         | (2,951,318)       | (888,202)         |
| Share based payment vesting expense (ii)                      | 1,229,083         | 1,235,275         | 1,229,083         | 1,235,275         |
| Closing balance                                               | <b>10,439,608</b> | <b>12,161,843</b> | <b>10,439,608</b> | <b>12,161,843</b> |

(i) For further details, refer to Note 12(e).

(ii) For parameters used in the valuation of the above options and performance rights see Note 22.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 12: RESERVES (CONT)

#### (a) SBP Reserve (Cont)

##### *Movement in SBP Reserve of the Consolidated Entity*

| Date         | Details                                                                                 | No. of Options    | No. of Performance Rights | USD               |
|--------------|-----------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------|
| 1 Jan 2018   | Balance at 1 Jan 2018                                                                   | 58,191,226        | 42,595,104                | 11,814,770        |
| 30 Jun 2018  | Lapsing of unlisted options (value of lapsed options transferred to Accumulated Losses) | (8,191,226)       | -                         | (888,202)         |
| 1 Aug 2018   | Issue of unlisted options                                                               | 21,200,000        | -                         | -                 |
| 1 Aug 2018   | Cancellation of performance rights                                                      | -                 | (14,000,000)              | -                 |
| 1 Aug 2018   | Issue of performance rights                                                             | -                 | 4,500,000                 | -                 |
| 1 Aug 2018   | Cancellation of performance rights                                                      | -                 | (1,025,000)               | -                 |
| 31 Dec 2018  | SBP charge                                                                              | -                 | -                         | 1,235,275         |
| 31 Dec 2018  | <b>Closing balance</b>                                                                  | <b>71,200,000</b> | <b>32,070,104</b>         | <b>12,161,843</b> |
| 13 Feb 2019  | Conversion of performance rights (ii)                                                   | -                 | (1,886,996)               | (211,690)         |
| 27 Jun 2019  | Conversion and cancellation of performance rights (iv)                                  | -                 | (2,000,000)               | (104,712)         |
| 28 Jun 2019  | Cancellation of Performance rights (v)                                                  | (17,200,000)      | -                         | -                 |
| 19 July 2019 | Issue of unlisted options (v)                                                           | 26,900,000        | -                         | -                 |
| 15 Nov 2019  | Expiry of 50,000,000 options (vi)                                                       | (50,000,000)      | -                         | (2,634,917)       |
| 31 Dec 2019  | SBP charge                                                                              | -                 | -                         | 1,229,084         |
| 31 Dec 2019  | <b>Closing balance</b>                                                                  | <b>30,900,000</b> | <b>28,183,108</b>         | <b>10,439,608</b> |

(iii) On 13 February 2019, 1,886,996 Class C Performance Rights were converted into 1,886,996 fully paid ordinary shares following satisfaction of vesting conditions.

(iv) The below non-executive directors, satisfied their vesting condition of their performance rights on 27 June 2019 and had the following amounts converted into shares:

| Director         | Vested  |
|------------------|---------|
| David Hathorn    | 500,000 |
| Jonathan Trollip | 250,000 |
| Leonard Math     | 312,500 |
| David Netherway  | 250,000 |
| Timothy Keating  | 250,000 |

Leonard Math's remaining performance rights were cancelled on his ceasing to be a director on 28 June 2019.

(v) At the Company's AGM on 28 June 2019, shareholders approved the cancellation of 17,200,000 unlisted options to Brad Sampson following advice from a remuneration consultant. The unlisted options were subsequently replaced with 26,900,000 share options which were approved on 19 July 2019.

(vi) On 15 November 2019, 50,000,000 share options expired and USD 2,634,917 has therefore been reversed out from the SBP reserve.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 12: RESERVES (CONT)

#### (a) SBP Reserve (Cont)

The SBP reserve is used to accumulate proceeds received from the issuing of options and accumulate the value of options and performance rights issued in consideration for services rendered and to record the fair value of options and performance rights issued but not exercised. The reserve is transferred to accumulated losses upon expiry or recognised as share capital if exercised.

#### (b) Share Premium Reserve

|                                                                                                                             | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <b><i>Movements during the period</i></b>                                                                                   |                           |                           |                                        |                                        |
| Opening balance                                                                                                             | 13,054,936                | -                         | 13,054,936                             | -                                      |
| Capital raising on 29 March 2018 at AUD 0.20 each                                                                           | -                         | 12,810,869                | -                                      | 12,810,869                             |
| Share-based capital raising costs on 29 March 2018 at AUD 0.12 each                                                         | -                         | 395,685                   | -                                      | 395,685                                |
| Conversion of USD 250,000 loan note on 27 July 2018 calculated by reference to the price of shares being AUD 0.20 per share | -                         | 234,382                   | -                                      | -                                      |
| Capital raising on 17 July 2019 at GBP 0.016 each                                                                           | 12,476,647                | -                         | 12,476,647                             | -                                      |
| Drilling Rig equipment share issue on 6 December 2019                                                                       | 337,920                   | -                         | 337,920                                | -                                      |
| Equity issued in lieu of payment                                                                                            | 108,683                   | -                         | 108,683                                | -                                      |
| Less: Capital raising costs                                                                                                 | (404,594)                 | (400,000)                 | (404,594)                              | (400,000)                              |
| Closing balance                                                                                                             | <b>25,573,592</b>         | <b>13,054,936</b>         | <b>25,573,592</b>                      | <b>13,054,936</b>                      |

The share premium reserve is used to record the difference between the monies received from capital raising and the par value of the Company's shares, being USD 0.001 per fully paid ordinary share (see Note 11).

#### (c) Foreign Currency Translation Reserve

|                                                          | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|----------------------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <b><i>Movements during the period</i></b>                |                           |                           |                                        |                                        |
| Opening balance                                          | -                         | -                         | (15,310,945)                           | (8,747,747)                            |
| Currency translation differences arising during the year | -                         | -                         | (3,104,632)                            | (6,563,198)                            |
| Closing balance                                          | <b>-</b>                  | <b>-</b>                  | <b>(18,415,577)</b>                    | <b>(15,310,945)</b>                    |

The foreign currency translation reserve is used to record currency differences arising from the translation of the financial statements of the foreign subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 12: RESERVES (CONT)

#### (d) Merger Reserve

In November 2017, the Company issued 771,395,768 shares with a par value of USD 0.001 each in respect of the shares on Kore Potash Limited, which had issued share capital at the date of the transaction with a value of USD 204,510,196. As a result of this transaction, a Merger Reserve of USD 203,738,800 was created in both the Parent and Consolidated Entity.

#### (e) Reorganisation Reserve

In accordance with the Scheme of Arrangement, the Company became the new parent on 20 November 2017 and Kore Potash Limited is the wholly-owned subsidiary of the Company. The Company elected to account for the acquisition of Kore Potash Limited as a common control transaction. As a consequence, no acquisition accounting under IFRS 3 *Business Combination* has arisen. The investment in Kore Potash Limited acquired by the Company as a result of the internal reorganisation was recognised at a value consistent with the carrying value of the equity items in the Kore Potash Limited accounts immediately prior to the Scheme. In the Parent entity, the difference between the carrying amount of share capital and options issued by the Company under the Scheme and the investment in Kore Potash Limited totalling USD 76,899,326 was recognised in a Reorganisation Reserve in the parent company accounts during the year ended 31 December 2017.

During the prior year, 8,191,226 SBP options expired during the year. The value of the options of USD 888,802 was transferred to Accumulated Losses in the Australian subsidiary Kore Potash Limited, and to the Reorganisation Reserve in the Parent company.

|                                                                    | Parent              |                     | Consolidated Entity |                 |
|--------------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------|
|                                                                    | Dec 2019<br>USD     | Dec 2018<br>USD     | Dec 2019<br>USD     | Dec 2018<br>USD |
| <b><i>Movements during the period</i></b>                          |                     |                     |                     |                 |
| Opening balance                                                    | (76,011,124)        | (76,899,326)        | -                   | -               |
| Value of share-based payment options expired during the prior year | -                   | 888,202             | -                   | -               |
| Closing balance                                                    | <b>(76,011,124)</b> | <b>(76,011,124)</b> | <b>-</b>            | <b>-</b>        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### (f) Non-controlling interest reserve

On 7 December 2018, the Mining Convention covering the proposed staged development of the Kola and Dougou Mining Licences was gazetted into law following ratification by the Parliament of the Republic of the Congo.

Pursuant to the Mining Convention, the Republic of the Congo Government were granted a 10% equity interest in Kola Mining SA and Dougou Mining SA, which are wholly owned by Sintoukola Potash S.A ("SPSA"). The Group will recognise an increase in non-controlling interest from the 3% to 10%, upon the signing of the shareholder agreement. However, this had not occurred at the year-end date.

|                                    | Parent   |          | Consolidated Entity |                |
|------------------------------------|----------|----------|---------------------|----------------|
|                                    | Dec 2019 | Dec 2018 | Dec 2019            | Dec 2018       |
|                                    | USD      | USD      | USD                 | USD            |
| <b>Movements during the period</b> |          |          |                     |                |
| Opening balance                    | -        | -        | 560,708             | -              |
| (Profit) for the year (i)          | -        | -        | (1,255)             | 19,670         |
| Other comprehensive Loss           | -        | -        | -                   | 541,038        |
| Closing balance                    | -        | -        | <b>559,453</b>      | <b>560,708</b> |

- (i) Because of a small gain in SPSA, a small gain of USD 1,255 was transferred to the non-controlling interest reserve.

### NOTE 13: DIVIDENDS

No dividends have been proposed or paid during the year ended 31 December 2019 (2018: Nil).

### NOTE 14: NOTES TO STATEMENT OF CASH FLOWS

|                                                                       | Parent             |                    | Consolidated Entity |                    |
|-----------------------------------------------------------------------|--------------------|--------------------|---------------------|--------------------|
|                                                                       | Dec 2019           | Dec 2018           | Dec 2019            | Dec 2018           |
|                                                                       | USD                | USD                | USD                 | USD                |
| <b>Reconciliation of cash flows from operating activities:</b>        |                    |                    |                     |                    |
| Loss for the year                                                     | (19,593,519)       | (1,715,799)        | (4,202,752)         | (6,269,366)        |
| <i>Adjustments for:</i>                                               |                    |                    |                     |                    |
| Depreciation of property, plant and equipment and right-of-use assets | -                  | -                  | 88,267              | 7,078              |
| Equity compensation benefits                                          | 997,915            | 695,345            | 997,915             | 695,345            |
| South Africa cost plus recharge                                       | 652,310            | -                  | -                   | -                  |
| Net realised and unrealised foreign exchange losses                   | (7,070)            | -                  | 682                 | 3,793              |
| Interest received not classified as operating activities cash inflow  | (32,898)           | -                  | (56,215)            | (72,873)           |
| Impairment of ROU asset                                               | -                  | -                  | 69,594              | -                  |
| Credit loss provision                                                 | 16,375,499         | -                  | -                   | -                  |
| Loss on disposal                                                      | -                  | -                  | 28,270              | 5,974              |
| Interest paid on lease liabilities                                    | -                  | -                  | 7,322               | -                  |
| Fair value change in derivative financial liability                   | (502,345)          | (110,114)          | (502,345)           | (110,114)          |
| <i>Operating loss before changes in working capital</i>               |                    |                    |                     |                    |
| (Increase)/Decrease in receivables                                    | (40,128)           | (149,775)          | (19,657)            | (150,283)          |
| Increase in tax payable                                               | -                  | -                  | (20,855)            | (19,990)           |
| Increase in payables                                                  | (671,051)          | 101,798            | (1,251,355)         | (143,613)          |
| <b>Net cash used in operating activities</b>                          | <b>(2,821,287)</b> | <b>(1,178,545)</b> | <b>(4,924,129)</b>  | <b>(6,054,050)</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### Overview

The Group has exposure to the following risks from their use of financial instruments:

- market risk,
- credit risk, and
- liquidity risks.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

#### (a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

As a result of the operating activities in the RoC and the ongoing funding of overseas operations from the United Kingdom, the Group's Statement of Financial Position can be affected by movements in the Australian Dollar (AUD) / US Dollar (USD) exchange rate, British Pound (GBP) / US Dollar (USD) exchange rate, Congolese Franc (XAF) / US Dollar (USD) exchange rate, Euro (EUR) / US Dollar (USD) exchange rate and the South African Rand (ZAR) / US Dollar (USD) exchange rate. Funds in EUR is held to hedge the Definitive Feasibility Study (DFS) payments.

A substantial portion of the Group's transactions are denominated in USD, with historically, the majority of costs relating to drilling activities also denominated in the unit's functional currency.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (a) Market Risk (Cont)

##### (i) Foreign currency risk (cont)

The summary quantitative data about the Group's financial instruments' exposure to significant currency risk as presented in USD is as follows:

|                                | 31 December 2019 |                  |                |              | 31 December 2018 |                  |                |                  |
|--------------------------------|------------------|------------------|----------------|--------------|------------------|------------------|----------------|------------------|
|                                | EUR              | GBP              | XAF            | ZAR          | EUR              | GBP              | XAF            | ZAR              |
| <b>FINANCIAL ASSETS</b>        |                  |                  |                |              |                  |                  |                |                  |
| Cash at bank                   | 1,827,121        | 4,251,321        | 269,870        | 61,406       | 1,143,346        | -                | 309,789        | 61,406           |
| Receivables                    | -                | 10,689           | 218,051        | 9,302        | -                | 102,702          | 321,103        | 9,302            |
| <b>FINANCIAL LIABILITIES</b>   |                  |                  |                |              |                  |                  |                |                  |
| Payables                       | (553,000)        | (1,575,123)      | (256,393)      | (61,193)     | (553,000)        | (185,730)        | (300,369)      | (203,418)        |
| Derivative financial liability | -                | (1,053)          | -              | -            | -                | (503,398)        | -              | -                |
| <b>Net exposure</b>            | <b>1,274,121</b> | <b>2,685,834</b> | <b>231,528</b> | <b>9,515</b> | <b>590,346</b>   | <b>(586,426)</b> | <b>330,523</b> | <b>(132,710)</b> |

#### Sensitivity analysis (Group)

A reasonably possible strengthening (weakening) of the EUR, GBP, XAF and ZAR against USD at 31 December 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss for the Group by the amounts shown below. This analysis assumes all other variables, in particular interest rates, remain constant. The impact of the possible strengthening (weakening) of the AUD and any other currencies against USD is minimal and is not analysed.

|                         | Equity                        |                           | Profit or Loss                |                           |
|-------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
|                         | Strengthening Gain/(Loss) USD | Weakening Gain/(Loss) USD | Strengthening (Gain)/Loss USD | Weakening (Gain)/Loss USD |
| <b>31 December 2019</b> |                               |                           |                               |                           |
| EUR (5% movement)       | 63,706                        | (63,706)                  | (63,706)                      | 63,706                    |
| GBP (5% movement)       | 133,672                       | (133,672)                 | (133,672)                     | 133,672                   |
| XAF (5% movement)       | 11,576                        | (11,576)                  | (11,576)                      | 11,576                    |
| ZAR (5% movement)       | 476                           | (476)                     | (476)                         | 476                       |

The summary quantitative data about the Parent's financial instruments' exposure to significant currency risk as presented in USD is as follows:

|                                | 31 December 2019 |                  |          |          | 31 December 2018 |          |          |                  |
|--------------------------------|------------------|------------------|----------|----------|------------------|----------|----------|------------------|
|                                | EUR              | GBP              | XAF      | ZAR      | EUR              | AUD      | ZAR      | GBP              |
| <b>FINANCIAL ASSETS</b>        |                  |                  |          |          |                  |          |          |                  |
| Cash at bank                   | 1,716,362        | 4,251,321        | -        | -        | -                | -        | -        | -                |
| Receivables                    | -                | 9,587            | -        | -        | -                | -        | -        | 102,702          |
| <b>FINANCIAL LIABILITIES</b>   |                  |                  |          |          |                  |          |          |                  |
| Payables                       | -                | (1,575,123)      | -        | -        | -                | -        | -        | (111,798)        |
| Derivative financial liability | -                | (1,053)          | -        | -        | -                | -        | -        | (503,398)        |
| <b>Net exposure</b>            | <b>1,716,362</b> | <b>2,684,732</b> | <b>-</b> | <b>-</b> | <b>-</b>         | <b>-</b> | <b>-</b> | <b>(512,494)</b> |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (a) Market Risk (Cont)

##### (i) Foreign currency risk (cont)

###### *Sensitivity analysis (Parent)*

A reasonably possible strengthening (weakening) of the GBP against USD at 31 December 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss for the Parent by the amounts shown below. This analysis assumes all other variables, in particular interest rates, remain constant.

|                         | Equity                              |                                 | Profit or Loss                      |                                 |
|-------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                         | Strengthening<br>Gain/(Loss)<br>USD | Weakening<br>Gain/(Loss)<br>USD | Strengthening<br>(Gain)/Loss<br>USD | Weakening<br>(Gain)/Loss<br>USD |
| <b>31 December 2019</b> |                                     |                                 |                                     |                                 |
| GBP (5% movement)       | 133,672                             | (133,672)                       | (133,672)                           | 133,672                         |
| EUR (5% movement)       | 85,818                              | (85,818)                        | (85,818)                            | 85,818                          |

##### (ii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The Group and Company's policy is to retain its surplus funds on the most advantageous term of deposit available. Given the Directors do not consider interest income is significant in respect of the Group's and Company's operations and as the Group does not currently have any debt, no sensitivity analysis has been performed.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

|                                   | Weighted Average<br>Effective Interest<br>Rate |               | Fixed<br>Interest Rate |                 | Floating<br>Interest Rate |                 | Non-Interest<br>Bearing |                 |
|-----------------------------------|------------------------------------------------|---------------|------------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|
|                                   | Dec 2019<br>%                                  | Dec 2018<br>% | Dec 2019<br>USD        | Dec 2018<br>USD | Dec 2019<br>USD           | Dec 2018<br>USD | Dec 2019<br>USD         | Dec 2018<br>USD |
| <b>FINANCIAL ASSETS</b>           |                                                |               |                        |                 |                           |                 |                         |                 |
| Cash at bank                      | 1.95%                                          | 1.45%         | 4,200,000              | 4,000,000       | 3,378,727                 | 2,187,113       | -                       | -               |
| Receivables                       |                                                |               | -                      | -               | -                         | -               | 307,315                 | 409,677         |
| Total financial assets            |                                                |               | 4,200,000              | 4,000,000       | 3,378,727                 | 2,187,113       | 307,315                 | 409,677         |
| <b>FINANCIAL<br/>LIABILITIES</b>  |                                                |               |                        |                 |                           |                 |                         |                 |
| Payables (non-<br>derivative)     |                                                |               | -                      | -               | -                         | -               | 2,150,056               | 1,198,994       |
| Derivative financial<br>liability |                                                |               | -                      | -               | -                         | -               | 1,053                   | 503,398         |
| Total financial liabilities       |                                                |               | -                      | -               | -                         | -               | 2,151,109               | 1,702,392       |

All receivables and payables in the Parent at 31 December 2019 and at 31 December 2018 are non-interest bearing.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (a) Market Risk (Cont)

##### (ii) *Interest rate risk (cont)*

#### **Financial assets**

Trade receivables from other entities are carried at cost less any allowance for doubtful debts. Other receivables are carried at cost. Interest is recorded as income using the effective interest rate method.

#### **Financial liabilities**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

#### **Net fair value of financial assets and liabilities**

The carrying amount of financial assets and liabilities at 31 December 2019 and 31 December 2018 is equivalent to the fair value.

#### (b) **Credit risk**

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The Group has a significant concentration of credit risk arising from its bank holdings of cash and cash equivalent. This risk is mitigated by credit control procedures.

#### (c) **Liquidity and capital risk management**

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (c) Liquidity and capital risk (cont)

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

| 31 Dec 2019                 | Within 1 Month<br>USD         | 1-3 Months<br>USD         | 3-12 Months<br>USD         |
|-----------------------------|-------------------------------|---------------------------|----------------------------|
| <b>Non-derivatives</b>      |                               |                           |                            |
| <i>Non-interest bearing</i> |                               |                           |                            |
| Trade and other payables    | 1,855,153                     | 127,169                   | -                          |
| Total Financial Liabilities | 1,855,153                     | 127,167                   | -                          |
| <b>31 Dec 2018</b>          | <b>Within 1 Month<br/>USD</b> | <b>1-3 Months<br/>USD</b> | <b>3-12 Months<br/>USD</b> |
| <b>Non-derivatives</b>      |                               |                           |                            |
| <i>Non-interest bearing</i> |                               |                           |                            |
| Trade and other payables    | 451,184                       | 1,285,455                 | -                          |
| Total Financial Liabilities | 451,184                       | 1,285,455                 | -                          |

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the Group anticipates a need to raise additional capital within 6 months to meet forecasted operational activities, then the decision on how the Company will raise future capital will depend on market conditions existing at that time.

Please see note 1(b) Going Concern for further information on liquidity risk

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (d) Fair Value of Financial Instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Directors consider that carrying amounts at financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair value.

|                                         | Fair value hierarchy as at 31 December 2019 |                |                |              | Amortised<br>Cost<br>USD |
|-----------------------------------------|---------------------------------------------|----------------|----------------|--------------|--------------------------|
|                                         | Level 1<br>USD                              | Level 2<br>USD | Level 3<br>USD | Total<br>USD |                          |
| <b>Financial assets</b>                 |                                             |                |                |              |                          |
| Financial assets held at amortised cost |                                             |                |                |              |                          |
| - Trade and other receivables           | -                                           | -              | -              | -            | 296,623                  |
| <b>Total</b>                            | -                                           | -              | -              | -            | <b>296,623</b>           |

|                                               |   |              |   |              |                  |
|-----------------------------------------------|---|--------------|---|--------------|------------------|
| <b>Financial liabilities</b>                  |   |              |   |              |                  |
| Financial liabilities held at amortised cost: |   |              |   |              |                  |
| - Trade and other payables                    | - | -            | - | -            | 1,977,314        |
| Financial liabilities held at fair value:     |   |              |   |              |                  |
| - Derivative financial liability              | - | 1,053        | - | 1,053        | -                |
| <b>Total</b>                                  | - | <b>1,053</b> | - | <b>1,053</b> | <b>1,977,314</b> |

|                                         | Fair value hierarchy as at 31 December 2018 |                |                |              | Amortised<br>Cost<br>USD |
|-----------------------------------------|---------------------------------------------|----------------|----------------|--------------|--------------------------|
|                                         | Level 1<br>USD                              | Level 2<br>USD | Level 3<br>USD | Total<br>USD |                          |
| <b>Financial assets</b>                 |                                             |                |                |              |                          |
| Financial assets held at amortised cost |                                             |                |                |              |                          |
| - Trade and other receivables           | -                                           | -              | -              | -            | 409,677                  |
| <b>Total</b>                            | -                                           | -              | -              | -            | <b>409,677</b>           |

|                                               |   |                |   |                |                  |
|-----------------------------------------------|---|----------------|---|----------------|------------------|
| <b>Financial liabilities</b>                  |   |                |   |                |                  |
| Financial liabilities held at amortised cost: |   |                |   |                |                  |
| Trade and other payables                      | - | -              | - | -              | 1,702,392        |
| Financial liabilities held at fair value:     |   |                |   |                |                  |
| - Derivative financial liability              | - | 503,398        | - | 503,398        | -                |
| <b>Total</b>                                  | - | <b>503,398</b> | - | <b>503,398</b> | <b>1,702,392</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 15: FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT)

#### (d) Fair Value of Financial Instruments (Cont)

The information on the fair values of various financial assets and financial liabilities for the Parent are as follows:

|                                         | Fair value hierarchy as at 31 December 2019 |                |                |              | Amortised<br>Cost<br>USD |
|-----------------------------------------|---------------------------------------------|----------------|----------------|--------------|--------------------------|
|                                         | Level 1<br>USD                              | Level 2<br>USD | Level 3<br>USD | Total<br>USD |                          |
| <b>Financial assets</b>                 |                                             |                |                |              |                          |
| Financial assets held at amortised cost |                                             |                |                |              |                          |
| - Trade and other receivables           | -                                           | -              | -              | -            | 156,178,510              |
| <b>Total</b>                            | -                                           | -              | -              | -            | <b>156,178,510</b>       |

|                                               |   |              |   |              |                |
|-----------------------------------------------|---|--------------|---|--------------|----------------|
| <b>Financial liabilities</b>                  |   |              |   |              |                |
| Financial liabilities held at amortised cost: |   |              |   |              |                |
| - Trade and other payables                    | - | -            | - | -            | 251,930        |
| Financial liabilities held at fair value:     |   |              |   |              |                |
| - Derivative financial liability              | - | 1,053        | - | 1,053        | -              |
| <b>Total</b>                                  | - | <b>1,053</b> | - | <b>1,053</b> | <b>251,930</b> |

|                                         | Fair value hierarchy as at 31 December 2018 |                |                |              | Amortised<br>Cost<br>USD |
|-----------------------------------------|---------------------------------------------|----------------|----------------|--------------|--------------------------|
|                                         | Level 1<br>USD                              | Level 2<br>USD | Level 3<br>USD | Total<br>USD |                          |
| <b>Financial assets</b>                 |                                             |                |                |              |                          |
| Financial assets held at amortised cost |                                             |                |                |              |                          |
| - Trade and other receivables           | -                                           | -              | -              | -            | 12,634,124               |
| <b>Total</b>                            | -                                           | -              | -              | -            | <b>12,634,124</b>        |

|                                               |   |                |   |                |                |
|-----------------------------------------------|---|----------------|---|----------------|----------------|
| <b>Financial liabilities</b>                  |   |                |   |                |                |
| Financial liabilities held at amortised cost: |   |                |   |                |                |
| Trade and other payables                      | - | -              | - | -              | 144,217        |
| Financial liabilities held at fair value:     |   |                |   |                |                |
| - Derivative financial liability              | - | 503,398        | - | 503,398        | -              |
| <b>Total</b>                                  | - | <b>503,398</b> | - | <b>503,398</b> | <b>144,217</b> |

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)**

### **NOTE 16: SEGMENT INFORMATION**

Management has determined that the Company and the Group has one reporting segment being mineral exploration in Central Africa.

As the Group is focused on mineral exploration in Central Africa, management make resource allocation decisions by reviewing the working capital balance, comparing cash balances to committed exploration expenditure and reviewing the current results of exploration work performed. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date and capital available to the Company.

### **NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE**

On 21 January 2020, a total of 3,811,398 ordinary shares of US\$0.001 each in the Company were issued to certain Non-Executive Directors of the Company in lieu of cash fees for the quarter ended 31 December 2019. This is in line with the cost reduction strategy announced on 27 June 2019 and approved at the 2019 General Meeting of the Company held on 17 July 2019.

There are no other significant events that have occurred since the reporting date that require separate disclosure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 18: COMMITMENTS FOR EXPENDITURE

#### Exploration and Evaluation Expenditure Commitments

In order to maintain current rights of tenure to exploration permits, the Group is required meet minimum expenditure requirements by performing exploration and development work. As at year end, the minimum expenditure requirement has not yet been determined with respect to the Group's Sintoukola 2 exploration permit. However, when the minimum expenditure requirement is confirmed this will need to be satisfied over a period of 3 years.

There are no minimum expenditure requirements with respect to the Group's mining licences. One of the key investment promotion provisions for the Mining Convention includes that the RoC is to be granted a 10% carried equity interest in the project companies, which are currently wholly-owned by the Group's subsidiary, SPISA.

If the Group decides to relinquish certain licences and/or does not meet the obligations of the new mining convention, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

#### Kola DFS Commitment

On 28 February 2017 the Company signed a contract with TechnipFMC, VINCI Construction Grands Projets, Egis and Louis Dreyfus Armateur (the FC), for the implementation of the DFS.

At the date of this report, the Group had the following DFS commitment:

|                                              | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|----------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| Not later than 1 year                        | 1,659,703                 | 935,563                   | 1,659,703                              | 935,563                                |
| Later than 1 year and not later than 5 years | -                         | 1,575,750                 | -                                      | 1,575,750                              |
| Later than 5 years                           | -                         | -                         | -                                      | -                                      |
|                                              | <b>1,659,703</b>          | <b>2,511,313</b>          | <b>1,659,703</b>                       | <b>2,511,313</b>                       |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 19: AUDITOR'S REMUNERATION

|                                                                                                                           | Parent<br>Dec 2019<br>USD | Parent<br>Dec 2018<br>USD | Consolidated Entity<br>Dec 2019<br>USD | Consolidated Entity<br>Dec 2018<br>USD |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|----------------------------------------|----------------------------------------|
| <i>Fees payable to the Company's external auditor and their associates for the audit of the Company's annual accounts</i> |                           |                           |                                        |                                        |
| BDO – External Auditor. (2018: Deloitte – External Audit)                                                                 | 59,804                    | 105,000                   | 93,605                                 | 165,108                                |
| <b>Total audit fees</b>                                                                                                   | <b>59,804</b>             | <b>105,000</b>            | <b>93,605</b>                          | <b>165,108</b>                         |
| <i>Fees payable to the Company's auditor and their associates for other non-audit services to the Group</i>               |                           |                           |                                        |                                        |
| Half-year review                                                                                                          | 19,147                    | 39,217                    | 19,147                                 | 57,665                                 |
| Review of prior years for South African subsidiary                                                                        | -                         | -                         | -                                      | 6,546                                  |
| Services in connection with the AIM listing                                                                               | -                         | -                         | -                                      | 148,632                                |
| Tax, Research and Development consulting                                                                                  | -                         | -                         | -                                      | 113,866                                |
| <b>Total non-audit services</b>                                                                                           | <b>19,147</b>             | <b>39,217</b>             | <b>19,147</b>                          | <b>326,709</b>                         |
| <b>Total fees payable to the Company's external auditor and their associates</b>                                          | <b>78,951</b>             | <b>144,217</b>            | <b>112,752</b>                         | <b>491,817</b>                         |

### NOTE 20: RELATED PARTY TRANSACTIONS

#### **Directors remuneration**

The expense of USD 764,543 recognised (2018: USD 812,575) includes directors fees paid and remuneration for the current and outgoing Chief Executive Officer.

The Company paid USD Nil (2018: USD 6,050) to Piaster Pty Ltd as trustee for the Trollip Family Superannuation Fund for Mr Jonathan Trollip's director fees. Mr Trollip is a director of and has a beneficial interest in Piaster Pty Ltd.

On 28 June 2019, Brad Sampson's 17,200,000 unlisted options were cancelled. These were replaced with 26,900,000 unlisted options on 17 July 2019 valued at USD 237,208 at the Company's AGM.

The shareholders also approved the cancellation of the below existing Performance Rights and the grant of new Performance Rights to the below non-executive directors at the Company's AGM.

| Director         | Number of existing Performance Rights |
|------------------|---------------------------------------|
| David Hathorn    | 1,000,000                             |
| Jonathan Trollip | 500,000                               |
| Leonard Math     | Nil                                   |
| David Netherway  | 500,000                               |
| Timothy Keating  | 500,000                               |

There were no new performance rights within the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 21: RELATED PARTY TRANSACTIONS (CONT)

#### ***Directors remuneration (cont)***

On 15 November 2019 50,000,000 of unlisted options expired, of these 2,049,416 were held by David Hawthorn and 57,091 were held by Jonathan Trollip.

Upon Leonard Math's resignation on 28 June 2019, 437,500 rights were disposed of by Leonard Math, the remaining 312,500 were converted to shares.

During the year, 50,000,000 Share options which were fully vested, expired. These were valued at USD 2,634,917.

The details of the unlisted options and Performance Rights granted are in the Company's Notice of General Meeting announced on 1 June 2019.

No other Director has entered into a material contract (apart from employment) with the Company since the incorporation of the Company and there were no material contracts involving directors' interests at the half-year end. Remuneration arrangements of KMP are disclosed in the Directors' Remuneration Report on pages 58 to 74 of this Annual Report.

John Crews resigned on 21 November 2019 as Chief Financial Officer. No severance was paid on his behalf.

Julien Babey resigned on 15 November 2019 as Head of Business Development and Head of RoC.

#### ***Other transactions with the Company and the Group***

No KMP has entered into a material contract (apart from employment) or transaction with the Company and the Group other than the issue of 22,000,000 new ordinary shares to Equity Drilling Limited, of which David Hathorn is a shareholder, for the acquisition of 2 drill rigs and ancillary equipment. However, David Hathorn has no commercial or beneficial interest in the shares and subsequently Equity Drilling Limited has indicated that it will transfer the shares to an entity in which David Hathorn has no interest whatsoever. Please refer to the Remuneration Report in the Directors' Report for the remuneration paid to the KMP. No amount of remuneration is outstanding at 31 December 2019 (31 December 2018: nil).

Smith & Williamson LLP and Nexia Perth Pty Ltd are engaged to provide accounting, administrative and company secretarial services for the Group on commercial terms. Mr Henko Vos, who is based in Perth, Australia has been appointed as joint company secretary and is also currently an employee with Nexia Perth. During the year, the total amount paid to Nexia Perth by the Group for providing accounting, administration and company secretarial services was USD 141,886 (2018: USD 163,445) and USD 92,394 (2018: USD 117,387) to Smith & Williamson LLP.

St James's Corporate Services Limited was engaged to provide company secretarial services for the Company on commercial terms. During the year, the total amount paid to St James's Corporate Services Limited by the Group for providing company secretarial services was USD 60,830 (2018: USD 29,100).

There were no other transactions with KMP and its related parties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 21: KMP DISCLOSURES

The following were a KMP of the Company and the Group at any time during the reporting period and unless otherwise indicated were a KMP for the entire period.

#### *Executive Directors*

Brad Sampson Chief Executive Officer (appointed on 4 June 2018)

#### *Non-Executive Directors*

David Hathorn Non-Executive Chairman (appointed on 20 November 2015)

Jonathan Trollip Non-Executive Director (appointed on 21 April 2016)

Leonard Math Non-Executive Director (resigned 28 June 2019)

Timothy Keating Non-Executive Director (appointed on 15 November 2016)

David Netherway Non-Executive Director (appointed on 12 December 2017)

Joes Antonio Merino Non-Executive Director (appointed on 23 May 2018)

#### *Executives*

Henko Vos Joint Company Secretary (appointed on 16 November 2016)

St James's Corporate Joint Company Secretary (appointed on 1 October 2018)

Services Limited

John Crews Chief Financial Officer (resigned 21 November 2019)

Andrey Maruta Chief Financial Officer (appointed 21 September 2019)

Julien Babey Business Development and Head of RoC (resigned 18 November 2019)

Guy de Grandpre Country Manager - RoC (appointed 12 February 2019)

Gavin Chamberlain Chief Operating Officer (appointed 1 October 2017)

### KMP compensation

The KMP compensation included in "Directors Remuneration", "Equity Compensation Benefits" "Employee and Consultant Expenses" and "Exploration Expenditure" is as follows:

|                              | Consolidated Entity |                  |
|------------------------------|---------------------|------------------|
|                              | Dec 2019<br>USD     | Dec 2018<br>USD  |
| Short-term employee benefits | 1,807,001           | 1,510,100        |
| Post-employment benefits     | 6,050               | 13,652           |
| Termination benefits         | 325,705             | 256,986          |
| Equity compensation benefits | 981,042             | 1,286,133        |
|                              | <b>3,119,798</b>    | <b>3,066,871</b> |

There were six directors who held office at the end of the 2019 (2018: seven). Details of directors' remuneration are provided in the Directors' Remuneration Report on pages 588 to 74 of this Annual Report.

#### *Individual directors and executives' compensation disclosures*

Information regarding individual directors and executives' compensation and equity instruments disclosures are provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS

#### Recognised share-based payments

The expense recognised for employee and consultant services during the year is shown in the table below:

|                                                                                | Parent   |          | Consolidated Entity |          |
|--------------------------------------------------------------------------------|----------|----------|---------------------|----------|
|                                                                                | Dec 2019 | Dec 2018 | Dec 2019            | Dec 2018 |
|                                                                                | USD      | USD      | USD                 | USD      |
| Expense arising from equity-settled share-based payment transactions (Note 12) | 907,102  | 695,345  | 907,102             | 695,345  |

In addition, the amounts capitalised to exploration and evaluation expenditure from share-based payment transactions for staff whose services are directly attributable to the operational activities of the Kola and Dougou mining projects are as follows:

|                                                                                                                            | Parent   |          | Consolidated Entity |          |
|----------------------------------------------------------------------------------------------------------------------------|----------|----------|---------------------|----------|
|                                                                                                                            | Dec 2019 | Dec 2018 | Dec 2019            | Dec 2018 |
|                                                                                                                            | USD      | USD      | USD                 | USD      |
| Amounts capitalised to exploration and evaluation expenditure arising from equity-settled share-based payment transactions | 321,982  | 539,930  | 321,982             | 539,930  |

#### Consolidated Entity

The Group granted shares rights and options to KMP and other employees as part of as an incentive for future services and as a reward for past services. The table above shows the vesting expense recognised during the year of USD 907,102 (2018: USD 695,345) and vesting expenses capitalised to exploration and evaluation expenditure of USD 321,982 (2018: 539,930).

Details of the share options outstanding during the year are as follows:

|                                    | 2019                    |                                 | 2018                    |                                 |
|------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
|                                    | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Outstanding at beginning at year   | 21,200,000              | GBP 0.11                        | 8,191,226               | AUD 0.33                        |
| Granted during the year            | 26,900,000              | GBP 0.022                       | 21,200,000              | GBP 0.11                        |
| Cancelled during the year          | (17,200,000)            | GBP 0.11                        | -                       | -                               |
| Lapsed during the year             | -                       | -                               | (8,191,226)             | AUD 0.33                        |
| Outstanding at the end of the year | 30,900,000              | GBP 0.033                       | 21,200,000              | GBP 0.11                        |

The share options outstanding at 31 December 2019 had a weighted average exercise price of GBP 0.033 and a weighted average contractual life of 4.65 years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP

| Performance Rights | Number of rights<br>at 31 December<br>2018 | Cancelled<br>in period | Exercised   | Number of<br>rights at 31<br>December<br>2019 | Charged in<br>the period<br>(USD) | Time to<br>expiry<br>(Years) |
|--------------------|--------------------------------------------|------------------------|-------------|-----------------------------------------------|-----------------------------------|------------------------------|
| Rights Issue       |                                            |                        |             |                                               |                                   |                              |
| 6 (i)              | 1,886,996                                  | -                      | (1,886,996) | -                                             | -                                 | -                            |
| 7-8                | 2,255,000                                  | -                      | -           | 2,255,000                                     | 4,092                             | 0.93                         |
| 10                 | 5,881,250                                  | -                      | -           | 5,881,250                                     | 217,767                           | 1.17                         |
| 12                 | 1,405,000                                  | -                      | -           | 1,405,000                                     | 34,746                            | 2.42                         |
| 13                 | 660,000                                    | -                      | -           | 660,000                                       | -                                 | 2.42                         |
| 14                 | 3,747,003                                  | -                      | -           | 3,747,003                                     | 23,455                            | 2.42                         |
| 15                 | 11,734,855                                 | -                      | -           | 11,734,855                                    | 212,476                           | 2.42                         |
| 16-20 (ii)         | 4,500,000                                  | (437,500)              | (1,562,500) | 2,500,000                                     | 230,324                           | 2.39                         |
|                    | 32,070,104                                 | (437,500)              | (3,449,497) | 28,183,108                                    | 722,860                           |                              |

(i) The remaining 1,886,996 Performance Rights of issue 6 fully vested on 17 May 2018 pursuant to the satisfaction of performance criteria and were converted into fully paid ordinary shares on 13 February 2019 (see note 11).

(ii) The below non-executive directors, satisfied their vesting condition of their performance rights on 27 June 2019 and had the following amounts converted into shares:

| Director         | Vested  |
|------------------|---------|
| David Hathorn    | 500,000 |
| Jonathan Trollip | 250,000 |
| Leonard Math     | 312,500 |
| David Netherway  | 250,000 |
| Timothy Keating  | 250,000 |

Leonard Math's remaining 437,500 options were cancelled on his resignation on 28 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Option Series 31 and 32**

At the Company's AGM on 27 June 2018, the Company's shareholders approved the grant of 17,200,000 unlisted options to Brad Sampson and 4,000,000 unlisted options to David Hathorn. The vesting conditions for the unlisted options include milestones being achieved in relation to the Kola Project, as follows:

| <b>Vesting conditions</b>       | <b>Brad Sampson<br/>(Option Series 31)</b> | <b>David Hathorn<br/>(Option Series 32)</b> |
|---------------------------------|--------------------------------------------|---------------------------------------------|
| Completion of project financing | 5,733,333                                  | 4,000,000                                   |
| Completion of project           | 11,466,667                                 | -                                           |
| <b>Total</b>                    | <b>17,200,000</b>                          | <b>4,000,000</b>                            |
| Expiry                          | 27/06/2028                                 | 27/06/2020                                  |

The fair value at grant date of the unlisted options issued to Brad Sampson and to David Hathorn was estimated at GBP 0.0518 and GBP 0.0241 respectively, using the Black-Scholes Option Pricing Model taking into account the terms and conditions as set out above. The input used in the measurement of the fair value at grant date of the unlisted options were as follows:

| <b>Input into the model</b> | <b>Option Series 31</b> | <b>Option Series 32</b> |
|-----------------------------|-------------------------|-------------------------|
| Grant Date Share Price      | GBP 0.06                | GBP 0.06                |
| Expected Volatility         | 108.90%                 | 108.90%                 |
| Options Life                | 10 years                | 2 years                 |
| Grant date fair value       | GBP 0.0518              | GBP 0.0241              |

It was announced at the Company's AGM on 28 June 2019, that the 17,200,000 options issued to Brad Sampson in Option Series 31 were to be cancelled and replaced by Option Series 33, following recommendation from the Remuneration and Nomination Committee.

##### **Option Series 33**

At a Company's General Meeting on 17 July 2019, the Company's shareholders approved the grant of 26,900,000 unlisted options to Brad Sampson. The vesting conditions for the unlisted options include milestones being achieved in relation to the Kola Project, as follows:

| <b>Vesting conditions</b> | <b>Brad Sampson<br/>(Option Series 33)</b> |
|---------------------------|--------------------------------------------|
| <b>Total</b>              | <b>26,900,000</b>                          |
| Expiry                    | 19/07/2024                                 |

The fair value at grant date of the unlisted options issued to Brad Sampson was estimated at GBP 0.0151, using the Black Scholes Option Pricing Model taking into account the terms and conditions as set out above. The input used in the measurement of the fair value at grant date of the unlisted options were as follows:

These options have been treated in the accounts as a modification to Option Series 31.

| <b>Input into the model</b> | <b>Option Series 33</b> |
|-----------------------------|-------------------------|
| Grant Date Share Price      | GBP 0.01625             |
| Expected Volatility         | 91.97%                  |
| Annual risk-free rate       | 0.57%                   |
| Maturity                    | 5 Years                 |
| Grant date fair value       | GBP 0.0151              |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 4 to 6**

On 17 September 2015, the Company issued 7,998,270 Performance Rights to the following employees of the Group under the Group's Employee Performance Rights Plan.

| <b>Employee</b>   | <b>Class A</b>   | <b>Class B</b>   | <b>Class C</b>   |
|-------------------|------------------|------------------|------------------|
| Lawrence Davidson | 376,374          | 376,374          | 376,374          |
| Julien Babey      | 521,957          | 521,957          | 521,957          |
| Other employees   | 1,767,759        | 1,767,759        | 1,767,759        |
| <b>Total</b>      | <b>2,666,090</b> | <b>2,666,090</b> | <b>2,666,090</b> |

Rights and each class' vesting conditions is as follows:

##### *Rights Series 4 - Class A Performance Rights (Employee)*

Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 24 months from the date of issue:

- the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than AUD 85 million; and
- completing 12 months of continuous service with the Company.

##### *Rights Series 5 - Class B Performance Rights (Employee)*

Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 36 months from the date of issue:

- the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than AUD 100 million; and
- completing 24 months of continuous service with the Company.

##### *Rights Series 6 - Class C Performance Rights (Employee)*

Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following performance criteria within 48 months from the date of issue:

- the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than AUD 120 million; and
- completing 36 months of continuous service with the Company.

The fair value of the performance rights granted was estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b>Inputs into the model</b> | <b>Series 4 – Class A</b> | <b>Series 5 – Class B</b> | <b>Series 6 – Class C</b> |
|------------------------------|---------------------------|---------------------------|---------------------------|
| Grant date share price       | AUD 0.185                 | AUD 0.185                 | AUD 0.185                 |
| Expected volatility          | 80%                       | 80%                       | 80%                       |
| Rights life                  | 2 years                   | 3 years                   | 4 years                   |
| Grant date fair value        | AUD 0.1451                | AUD 0.1507                | AUD 0.1510                |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 4 to 6 (Cont)**

During the 2017 and 2018 years, the Class A, Class B and Class C Performance Rights vested, and the following shares were subsequently issued to the following employees of the Group:

| <b>Employee</b>   | <b>Shares (i)</b> | <b>Shares (ii)</b> | <b>Shares (iii)</b> |
|-------------------|-------------------|--------------------|---------------------|
| Lawrence Davidson | 376,374           | 376,374            | 376,374             |
| Julien Babey      | 521,957           | 521,957            | 521,957             |
| Other employees   | 1,767,759         | 1,767,759          | 1,767,759           |
| <b>Total</b>      | <b>2,666,090</b>  | <b>2,666,090</b>   | <b>2,666,090</b>    |

(i) The shares from Class A Performance Rights were issued during the 2017 year.

(ii) The shares from Class B Performance Rights were issued during the 2018 year.

(iii) The shares from Class C Performance Rights were issued during the year end on 13 February 2019

##### **Rights Series 7 - Performance Rights (Previous Project Director)**

On 29 February 2016, the Company granted 5,000,000 Performance Rights to Mr Werner Swanepoel, Project Director, under the Group's Employee Performance Rights Plan. The rights were contractually agreed to on 7 December 2015 pursuant to Mr Swanepoel's employment agreement. The Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following:

| <b>Vesting Conditions</b>                                     |                  |
|---------------------------------------------------------------|------------------|
| <b>Joining K2P</b>                                            |                  |
| (1) - sign on bonus                                           | 250,000          |
| (1) - allocated after 1 year service                          | 250,000          |
| (1) - allocated after 2 years service                         | 250,000          |
| (1) - allocated after 3 years service                         | 250,000          |
| <b>Kola Resource &amp; Mine</b>                               |                  |
| (2) - DFS Completion                                          | 1,000,000        |
| (3) - Off-take secured to support debt finance for mine build | 500,000          |
| (4) - Complete finance package for mine build                 | 500,000          |
| <b>Dougou Resource</b>                                        |                  |
| (5) - Development advanced to commencement of DFS             | 500,000          |
| <b>Yangala Resource</b>                                       |                  |
| (6) - Development advanced to completion of PFS               | 500,000          |
| <b>Share Price Allocation Matrix</b>                          | 1,000,000        |
| 25% initial tranche (Note 1(a))                               | 250,000          |
| straight line between AUD 0.50 and AUD 2.00 (Note 1(b))       |                  |
| 100%                                                          | 1,000,000        |
| <b>TOTAL</b>                                                  | <b>5,000,000</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

#### *Rights Series 7 - Performance Rights (Previous Project Director) (Cont)*

##### Note 1: Share Price Allocation Matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

- (a) For the first Vesting Period (6 months) following issue, the number of Shares to be issued is:
  - (i) where the 30 day average daily VWAP is less than AUD 0.50, nil;
  - (ii) where the 30 day average daily VWAP is AUD 0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50.
- (b) For the remainder of the Performance Rights Term (5 years), the number of Shares to be issued at the end of each Vesting Period (6 months) is:
  - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting Period is AUD 0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50 on the basis of one Share for each Performance Right.
  - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
  - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the operational performance rights granted (4,000,000) is calculated based on the share price at grant date. The fair value of these operational performance rights is AUD 0.19.

The fair value of the remaining performance rights granted with a share price threshold (1,000,000) is estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <i>Inputs into the model</i> | <b>Series 7</b> |
|------------------------------|-----------------|
| Grant date share price       | AUD 0.19        |
| Expected volatility          | 80%             |
| Rights life                  | 5 years         |
| Grant date fair value        | AUD 0.1167      |

On 29 February 2016, 250,000 Fully Paid Ordinary Shares were issued following the vesting of the Performance Rights as a sign on bonus for the Project Director. In addition, subsequent to year end on 3 February 2017, 250,000 Fully Paid Ordinary Shares were issued to the Project Director following the vesting of the Performance Rights due to one year of service being completed on 7 December 2016. On 18 December 2017, 2,245,000 Performance Rights was cancelled upon Mr. Swanepoel's resignation. The remaining 2,255,000 Performance Rights were outstanding as at 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 8 - Performance Rights (Chairman)**

On 2 March 2016, following shareholders' approval, the Company granted 13,000,000 Performance Rights to Mr David Hathorn under the Group's Employee Performance Rights Plan. Performance Rights vested as one Share for each Performance Right subject to the satisfaction of the following:

| <b>Vesting Conditions</b>                               |                   |
|---------------------------------------------------------|-------------------|
| <b>Joining K2P</b>                                      |                   |
| (1) - allocated after 1 year service                    | 1,000,000         |
| (1) - allocated after 2 years service                   | 1,000,000         |
| (1) - allocated after 3 years service                   | 1,000,000         |
| <b>Share Price Allocation Matrix</b>                    | 10,000,000        |
| 20%                                                     | 2,000,000         |
| straight line between AUD 0.50 and AUD 2.00 (Note 1(b)) |                   |
| 100%                                                    | 10,000,000        |
| <b>TOTAL</b>                                            | <b>13,000,000</b> |

##### Note 1: Share Price Allocation Matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

- (a) For the first Vesting Period (6 months) following issue, the number of Shares to be issued is:
  - (i) where the 30 day average daily VWAP is less than AUD 0.50, nil.
  - (ii) where the 30 day average daily VWAP is AUD 0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50.
- (b) For the remainder of the Performance Rights Term (5 years), the number of Shares to be issued at the end of each Vesting Period (6 months) is:
  - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting Period is AUD 0.50 or more, the Initial Tranche plus 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50 on the basis of one Share for each Performance Right.
  - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
  - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 5,333 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the operational performance rights granted (3,000,000) was calculated based on the share price at grant date. The fair value of these operational performance rights was AUD 0.20.

The fair value of the remaining performance rights granted with a share price threshold (10,000,000) is estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of these performance rights were as follows:

| <b>Inputs into the model</b> | <b>Series 8</b> |
|------------------------------|-----------------|
| Issue date share price       | AUD 0.165       |
| Expected volatility          | 80%             |
| Rights life                  | 5 years         |
| Grant date fair value        | AUD 0.1475      |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 8 - Performance Rights (Chairman) (Cont)**

On 3 February 2017 and on 20 December 2017, 2,000,000 Fully Paid Ordinary Shares were issued to the Chairman following the vesting of the Performance Rights due to his one and two years of service being completed on 20 November 2016 and 20 November 2017, respectively.

The remaining 11,000,000 Performance Rights were cancelled following shareholder approval at the Company's AGM on 27 June 2018 and replaced with Rights Series 16.

##### **Rights Series 9 - Performance Rights (Previous CEO)**

On 2 March 2016, following shareholders' approval, the Company granted 8,500,000 Performance Rights to Mr Sean Bennett under the Group's Employee Performance Rights Plan. Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following:

| <b>Vesting Conditions</b>                                     |                  |
|---------------------------------------------------------------|------------------|
| <b>Joining K2P</b>                                            |                  |
| (1) - sign on bonus                                           | 531,250          |
| (1) - allocated after 1 year service                          | 531,250          |
| (1) - allocated after 2 years' service                        | 531,250          |
| (1) - allocated after 3 years' service                        | 531,250          |
| <b>Kola Resource &amp; Mine</b>                               |                  |
| (2) - DFS Completion                                          | 850,000          |
| (3) - Off-take secured to support debt finance for mine build | 850,000          |
| (4) - Complete finance package for mine build                 | 850,000          |
| <b>Dougou Resource</b>                                        |                  |
| (5) - Development advanced to commencement of DFS             | 850,000          |
| <b>Yangala Resource</b>                                       |                  |
| (6) - Development advanced to completion of PFS               | 850,000          |
| <b>Share Price Allocation Matrix</b>                          | 2,125,000        |
| 25% initial tranche (Note 1(a))                               | 531,250          |
| straight line between AUD 0.50 and AUD 2.00 (Note 1(b))       |                  |
| 100%                                                          | 2,125,000        |
| <b>TOTAL</b>                                                  | <b>8,500,000</b> |

#### Note 1: Share Price Allocation Matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

- (a) For the first Vesting Period (6 months) following issue, the number of Shares to be issued is:
  - (i) where the 30 day average daily VWAP is less than AUD 0.50, nil;
  - (ii) where the 30 day average daily VWAP is AUD 0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50.
- (b) For the remainder of the Performance Rights Term (5 years), the number of Shares to be issued at the end of each Vesting Period (6 months) is:
  - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting Period is AUD 0.50 or more, the Initial Tranche plus 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50 on the basis of one Share for each Performance Right.
  - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
  - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,062 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 9 - Performance Rights (Previous CEO) (Cont)**

The fair value of the operational performance rights granted (6,375,000) is calculated based on the share price at grant date. The fair value of these operational performance rights is AUD 0.20.

The fair value of the remaining performance rights granted with a share price threshold (2,125,000) is estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b>Inputs into the model</b> | <b>Series 9</b> |
|------------------------------|-----------------|
| Issue date share price       | AUD 0.165       |
| Expected volatility          | 80%             |
| Rights life                  | 5 years         |
| Grant date fair value        | AUD 0.1469      |

The following Fully Paid Ordinary Shares were issued to the previous CEO during the 2016 and 2017 years:

| <b>Date</b>      | <b>Shares</b>    |                                                                   |
|------------------|------------------|-------------------------------------------------------------------|
| 2 March 2016     | 531,250          | Following vesting due to sign-on bonus.                           |
| 3 February 2017  | 531,250          | Following 1 year of service being completed on 20 November 2016.  |
| 20 November 2017 | 531,250          | Following 2 years of service being completed on 20 November 2017. |
| <b>Total</b>     | <b>1,593,750</b> |                                                                   |

On 4 June 2018, 1,025,000 Performance Rights were cancelled following the resignation of the previous CEO. The remaining 5,881,250 was outstanding at year end.

##### **Rights Series 10 - Performance Rights (non-executive director - J Trollip)**

On 6 July 2016, following shareholders' approval, the Company granted 2,000,000 Performance Rights to Mr Jonathan Trollip under the Group's Employee Performance Rights Plan. Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following:

| <b>Vesting Conditions</b>                               |                  |
|---------------------------------------------------------|------------------|
| <b>Share Price Allocation Matrix</b>                    | <b>2,000,000</b> |
| 25% initial tranche (Note 1(a))                         | 500,000          |
| straight line between AUD 0.50 and AUD 2.00 (Note 1(b)) |                  |
| 100%                                                    | 1,500,000        |
| <b>TOTAL</b>                                            | <b>2,000,000</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

#### ***Rights Series 10 - Performance Rights (non-executive director - J Trollip) (Cont)***

##### Note 1: Share Price Allocation Matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

- (a) For the first Vesting Period (6 months) following issue, the number of Shares to be issued is:
  - (i) where the 30-day average daily VWAP is less than AUD 0.50, nil;
  - (ii) where the 30-day average daily VWAP is AUD 0.50 or more, the Initial Tranche plus 1,000 Shares for each one tenth of a cent that the 30-day average daily VWAP exceeds AUD 0.50.
- (b) For the remainder of the Performance Rights Term (5 years), the number of Shares to be issued at the end of each Vesting Period (6 months) is:
  - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting Period is AUD 0.50 or more, the Initial Tranche plus 1,000 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50 on the basis of one Share for each Performance Right.
  - (ii) where the 30-day average daily VWAP is less than the 30 day average daily VWAP for any pervious Vesting Period, nil.
  - (iii) where the 30-day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 1,000 Shares for each one tenth of a cent that the 30-day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the performance rights granted with a share price threshold (2,000,000) was estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Series 10</i></b> |
|-------------------------------------|-------------------------|
| Issue date share price              | AUD 0.190               |
| Expected volatility                 | 80%                     |
| Rights life                         | 5 years                 |
| Grant date fair value               | AUD 0.1258              |

The above Performance Rights were cancelled following shareholder approval at the Company's AGM on 27 June 2018 and replaced with Rights Series 17.

#### ***Rights Series 11 - Performance Rights (non-executive director - L Math)***

On 6 July 2016, following shareholders' approval, the Company granted 1,000,000 Performance Rights to Mr Leonard Math under the Group's Employee Performance Rights Plan. Performance Rights vest as one Share for each Performance Right subject to the satisfaction of the following:

| <b><i>Vesting Conditions</i></b>                        |                         |
|---------------------------------------------------------|-------------------------|
| <b><i>Share Price Allocation Matrix</i></b>             | <b><i>1,000,000</i></b> |
| 25% initial tranche (Note 1(a))                         | <b><i>250,000</i></b>   |
| straight line between AUD 0.50 and AUD 2.00 (Note 1(b)) | <b><i>750,000</i></b>   |
| 100%                                                    | <b><i>1,000,000</i></b> |
| <b><i>TOTAL</i></b>                                     | <b><i>1,000,000</i></b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

#### *Rights Series 11 - Performance Rights (non-executive director - L Math) (Cont)*

##### Note 1: Share Price Allocation Matrix

Performance Rights vest on the basis of one Share for each Performance Right vesting, calculated as follows:

- (a) For the first Vesting Period (6 months) following issue, the number of Shares to be issued is:
  - (i) where the 30 day average daily VWAP is less than AUD 0.50, nil;
  - (ii) where the 30 day average daily VWAP is AUD 0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50.
- (b) For the remainder of the Performance Rights Term (5 years), the number of Shares to be issued at the end of each Vesting Period (6 months) is:
  - (i) where the Initial Tranche has not been issued and the 30 day average daily VWAP for the current Vesting period is AUD 0.50 or more, the Initial Tranche plus 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds AUD 0.50 on the basis of one Share for each Performance Right.
  - (ii) where the 30 day average daily VWAP is less than the 30 day average daily VWAP for any previous Vesting Period, nil.
  - (iii) where the 30 day average daily VWAP is equal to or more than the highest previous 30 day average daily VWAP, 500 Shares for each one tenth of a cent that the 30 day average daily VWAP exceeds the highest previous 30 day average daily VWAP.

The fair value of the performance rights granted with a share price threshold (1,000,000) is estimated as at the grant date using the Monte-Carlo Pricing Model taking into account the terms and conditions upon which the instruments were granted.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Series 11</i></b> |
|-------------------------------------|-------------------------|
| Issue date share price              | AUD 0.190               |
| Expected volatility                 | 80%                     |
| Rights life                         | 5 years                 |
| Grant date fair value               | AUD 0.1258              |

The above Performance Rights were cancelled following shareholder approval at the Company's AGM on 27 June 2018 and replaced with Rights series 18.

#### ***Rights Series 12***

On 29 May 2017, the Group granted 2,000,000 performance rights to its employees, under the Group's Employee Performance Rights Plan, to recognise their overall contribution and performance during 2016. These performance rights vest as one fully paid ordinary share for each performance right in 2 years on 31 May 2018, on the condition that the employee is still employed by the Group.

The fair value of the performance rights was estimated at AUD 0.17 per performance rights, calculated based on the share price at grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model.

The inputs used in the measurement of the fair value at grant date of these performance rights were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Rights Series 12</i></b> |
|-------------------------------------|--------------------------------|
| Grant date spot price               | AUD 0.17                       |
| Expected volatility                 | 75%                            |
| Life of performance share           | 2 years                        |
| Grant date fair value               | AUD 0.17                       |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### ***Rights Series 13***

In addition, following shareholders' approval at the Group's 2017 AGM on 31 May 2017, the Group granted 660,000 performance rights to Mr Sean Bennett, the Group's previous CEO, under the Group's Employee Performance Rights Plan. These performance rights were granted on the same basis as the 2,000,000 Performance Shares as detailed above. The 660,000 performance rights vested in full upon Mr Bennett's resignation on 4 June 2018.

The fair value of the performance rights was estimated at AUD 0.17 per performance rights, calculated based on the share price at grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model.

The inputs used in the measurement of the fair value at grant date of these performance rights were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Rights Series 13</i></b> |
|-------------------------------------|--------------------------------|
| Grant date spot price               | AUD 0.17                       |
| Expected volatility                 | 75%                            |
| Life of performance share           | 2 years                        |
| Grant date fair value               | AUD 0.17                       |

##### ***Rights Series 14***

On 29 May 2017, the Group announced that under an STIP the Board resolved and agreed to issue up to 4,482,005 performance rights for employees for 2017. Under the STIP, the final amount of performance rights issued may be reduced by the Board (in its sole discretion) depending upon each employee's performance during the 2017 year. Under the STIP, in accordance with the Group's remuneration strategy, the employee's performance is assessed by the Board against a range of objectives including delivery of the Kola DFS on time and in budget, progressing the Kola ESIA and maintaining control of costs within the business. The performance rights vest a third on award, a third after 1 year of continuous service and a third after 2 years continuous service, as one fully paid ordinary share for each performance right.

The fair value of the performance rights was estimated at AUD 0.17 per performance right, calculated based on the share price at grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Rights Series 14</i></b> |
|-------------------------------------|--------------------------------|
| Grant date spot price               | AUD 0.17                       |
| Expected volatility                 | 75%                            |
| Life of performance share           | 2 years                        |
| Grant date fair value               | AUD 0.17                       |

During the 2018 year, the Board approved the allocation of 2,845,314 STIP performance rights to various KMP and other employees. In addition, during the 2017 year, at the Board's discretion, 735,000 was allocated to two employees (including Mr Werner Swanepoel, who was allocated 490,000 STIP performance rights), which vested immediately and were converted into fully paid ordinary shares upon their resignation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### ***Rights Series 15***

On 29 May 2017, the Group announced that the Board resolved and agreed to issue up to 11,734,853 performance rights available to employees under the LTIP. These performance rights vest as one fully paid ordinary share for each performance right, of which the final amount issued may be reduced by the Board (in its discretion) depending upon the employee's performance against the following objectives:

##### Non-market performance conditions

- Completing the DFS in line with the Group's objectives and milestones
- Successful completion of the financing of the Kola Project
- Achieving the appropriate level of off-take for the Kola Project

##### Market performance conditions

- The Company's share price being between AUD 0.50 and AUD 2.00 (or GBP equivalent), vesting on the basis of one fully paid ordinary share for each performance right vesting, and calculated using a Share Price Allocation Matrix (straight-line basis).

The fair value of the performance rights attached to the non-market performance conditions is estimated at AUD 0.17 per performance right, calculated based on the share price at grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model.

The input used in the measurement of the fair value at grant date of the performance rights attached to non-market performance conditions were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Rights Series 15</i></b> |
|-------------------------------------|--------------------------------|
| Grant date spot price               | AUD 0.17                       |
| Expected volatility                 | 75%                            |
| Life of performance share           | 5 years                        |
| Grant date fair value               | AUD 0.17                       |

The fair value of the performance rights attached to the market performance condition is estimated at AUD 0.104 per performance right at grant date, using the Monte-Carlo Simulation Model, and taking into account the terms and conditions upon which the performance rights were granted.

The input used in the measurement of the fair value at grant date of the performance rights attached to market performance conditions were as follows:

| <b><i>Inputs into the model</i></b> | <b><i>Rights Series 15</i></b> |
|-------------------------------------|--------------------------------|
| Grant date spot price               | AUD 0.17                       |
| Expected volatility                 | 75%                            |
| Life of performance share           | 5 years                        |
| Grant date fair value               | AUD 0.104                      |

As at reporting date, the Board has not yet determined the allocation of the LTIP performance rights. The allocation will be determined against each objective for each employee on a case by case basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 16 to 20**

At the Company's AGM on 27 June 2018, the Company's shareholders approved the grant of performance rights to the following non-executive directors as a replacement to the previous rights held by these directors:

| <b>Series</b>    | <b>Director</b>  | <b>Number of Performance Rights</b> |
|------------------|------------------|-------------------------------------|
| Rights Series 16 | David Hathorn    | 1,500,000                           |
| Rights Series 17 | Jonathan Trollip | 750,000                             |
| Rights Series 18 | Leonard Math     | 750,000                             |
| Rights Series 19 | David Netherway  | 750,000                             |
| Rights Series 20 | Timothy Keating  | 750,000                             |

The performance rights are a one-off award and will unconditionally vest in three equal tranches on the first, second and third anniversary of the Company's admission to the AIM market. They will vest as one fully paid ordinary share for each performance right and will expire on 22 May 2022.

The fair value of the performance rights granted was estimated as at the grant date at GBP 0.0564 per performance right, using the Black-Scholes Option Pricing Model taking into account the terms set out above.

The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b>Inputs into the model</b> | <b>Rights Series 16</b> | <b>Rights Series 17</b> | <b>Rights Series 18</b> |
|------------------------------|-------------------------|-------------------------|-------------------------|
| Grant date share price       | GBP 0.06                | GBP 0.06                | GBP 0.06                |
| Expected volatility          | 90.12%                  | 90.12%                  | 90.12%                  |
| Rights life                  | 4 years                 | 4 years                 | 4 years                 |
| Grant date fair value        | GBP 0.0564              | GBP 0.0564              | GBP 0.0564              |

| <b>Inputs into the model</b> | <b>Rights Series 19</b> | <b>Rights Series 20</b> |
|------------------------------|-------------------------|-------------------------|
| Grant date share price       | GBP 0.06                | GBP 0.06                |
| Expected volatility          | 90.12%                  | 90.12%                  |
| Rights life                  | 4 years                 | 4 years                 |
| Grant date fair value        | GBP 0.0564              | GBP 0.0564              |

On the first anniversary, 27 June 2019 of these options 1,562,500 were vested and immediately converted into shares. Leonard Math ceased to be a non-executive director on 28 June 2019, resulting in his remaining allotment of 437,500 being cancelled. A more detailed disclosure is available in Note 12(a).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Details of options and performance rights issued to KMP (cont)

##### **Rights Series 21 and 22**

At the Company's AGM on 27 June 2018, the Company's shareholders approved the grant 500,000 (Rights Series 21) and 1,050,000 (Rights Series 22) performance rights to Sean Bennett, the Company's previous CEO, to recognise his contribution to the Company and the transition of his position as CEO to a successor and his role in successfully implementing the re-domicile of the Group in the United Kingdom, the listing of the Company on the AIM and JSE and the recent completion of a capital raising.

The performance rights have no vesting conditions and will be exercisable on and from the date of their issue, with each performance right being convertible into one fully paid ordinary share.

The fair value at grant date of the performance rights was estimated at GBP 0.0564 per performance right, using the Black-Scholes Option Pricing Model. The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| <b>Input into the model</b> | <b>Rights Series 21</b> | <b>Rights Series 22</b> |
|-----------------------------|-------------------------|-------------------------|
| Grant date share price      | GBP 0.06                | GBP 0.06                |
| Expected volatility         | 90.12%                  | 90.12%                  |
| Rights life                 | 4 years                 | 4 years                 |
| Grant date fair value       | GBP 0.0564              | GBP 0.0564              |

#### Share based payment arrangements in existence

The following options from share based payment arrangements were in existence during the current and prior periods:

|                      | <b>Grant Date</b> | <b>Vesting Date</b> | <b>Number of Options</b> | <b>Expiry Date</b> | <b>Fair Value at Grant Date</b> | <b>Exercise Price</b> |
|----------------------|-------------------|---------------------|--------------------------|--------------------|---------------------------------|-----------------------|
| Option Series 22 *   | 9/04/2014         | 10/04/2014          | 2,169,671                | 15/04/2018         | AUD 0.1242                      | AUD 0.33              |
| Option Series 23 *   | 9/04/2014         | 10/04/2015          | 1,760,778                | 15/04/2018         | AUD 0.1391                      | AUD 0.33              |
| Option Series 24 *   | 9/04/2014         | 10/04/2016          | 1,760,777                | 15/04/2018         | AUD 0.1522                      | AUD 0.33              |
| Option Series 25 *   | 12/05/2014        | 10/04/2014          | 333,333                  | 15/04/2018         | AUD 0.0948                      | AUD 0.33              |
| Option Series 26 *   | 12/05/2014        | 10/04/2015          | 333,333                  | 15/04/2018         | AUD 0.1073                      | AUD 0.33              |
| Option Series 27 *   | 12/05/2014        | 10/04/2016          | 333,334                  | 15/04/2018         | AUD 0.1194                      | AUD 0.33              |
| Option Series 28 *   | 30/05/2014        | 10/04/2014          | 500,000                  | 26/06/2018         | AUD 0.1177                      | AUD 0.33              |
| Option Series 29 *   | 30/05/2014        | 10/04/2015          | 500,000                  | 26/06/2018         | AUD 0.1303                      | AUD 0.33              |
| Option Series 30 *   | 30/05/2014        | 10/04/2016          | 500,000                  | 26/06/2018         | AUD 0.1432                      | AUD 0.33              |
| Option Series 31 **  | 27/06/2018        | Refer Below         | 17,200,000               | 27/06/2028         | GBP 0.0518                      | GBP 0.11              |
| Option Series 32 *** | 27/06/2018        | Refer Below         | 4,000,000                | 27/06/2020         | GBP 0.0241                      | GBP 0.11              |
| Option Series 33 **  | 17/07/2019        | 17/07/2028          | 26,900,000               | 17/07/2024         | GBP 0.007                       | GBP 0.022             |

\* Option Series expired during the previous financial year.

\*\* Option Series 31 were issued to Brad Sampson (Option Series 31) The vesting conditions for these Options include milestones being achieved in relation to the Kola Project. The fair value of the options granted was estimated as at the grant date using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the instruments were granted. These options were cancelled at the AGM this year and were replaced by Option Series 33. These have been accounted for under the modification accounting.

\*\*\* These options were granted to David Hathorn. The vesting conditions for these Options include milestones being achieved in relation to the Kola Project. The fair value of the options granted was estimated as at the grant date using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the instruments were granted.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Share based payment arrangements in existence (cont)

The following Performance Rights from share based payment arrangements were in existence during the current and prior periods:

|                                 | Grant Date | Vesting Date       | Number of Rights | Expiry Date | Fair Value at Grant Date |
|---------------------------------|------------|--------------------|------------------|-------------|--------------------------|
| Rights Series 4 <sup>(1)</sup>  | 17/09/2015 | 1 Dec 2016         | 2,666,090        | 16/09/2018  | AUD 0.1451               |
| Rights Series 5 <sup>(2)</sup>  | 17/09/2015 | <i>Refer below</i> | 2,666,090        | 16/09/2018  | AUD 0.1507               |
| Rights Series 6 <sup>(3)</sup>  | 17/09/2015 | <i>Refer below</i> | 2,666,090        | 16/09/2018  | AUD 0.1510               |
| Rights Series 7 <sup>(4)</sup>  | 07/12/2015 | <i>Refer below</i> | 5,000,000        | 06/12/2020  | AUD 0.1753               |
| Rights Series 8 <sup>(5)</sup>  | 20/11/2015 | <i>Refer below</i> | 13,000,000       | 01/03/2021  | AUD 0.1596               |
| Rights Series 9 <sup>(6)</sup>  | 20/11/2015 | <i>Refer below</i> | 8,500,000        | 01/03/2021  | AUD 0.1867               |
| Rights Series 10 <sup>(7)</sup> | 6/07/2016  | <i>Refer below</i> | 2,000,000        | 30/06/2021  | AUD 0.1258               |
| Rights Series 11 <sup>(7)</sup> | 6/07/2016  | <i>Refer below</i> | 1,000,000        | 30/06/2021  | AUD 0.1258               |

- (1) Fully vested on 1 December 2016 pursuant to the satisfaction of performance criteria. Performance Rights were converted to fully paid ordinary shares on 3 February 2017.
- (2) On 3 February 2017, 402,720 Performance Rights vested and were converted into fully paid ordinary shares. In addition, on 30 June 2017, 2,263,370 Performance Rights vested and were converted into fully paid ordinary shares.
- (3) On 30 June 2017, 402,720 Performance Rights vested and were converted into fully paid ordinary shares. In addition, on 20 December 2017, 376,374 Performance Rights vested and were converted to fully paid ordinary shares on the resignation of Mr Lawrence Davidson. The remaining 1,886,996 Performance Rights vested on 17 May 2018 pursuant to the satisfaction of performance criteria and were converted into fully paid ordinary shares on 13 February 2019 (see note 11).
- (4) 250,000 Performance Rights vested and were converted to fully paid ordinary shares on 29 February 2016. In addition, on 3 February 2017, 250,000 fully paid ordinary shares were issued to Mr Werner Swanepoel following the vesting of the Performance Rights due to one year of service being completed on 7 December 2016. On 20 December 2017, 2,245,000 of these Performance Rights were cancelled following his resignation. The remaining 2,255,000 Performance Rights of this series has not yet vested.
- (5) On 3 February 2017, 1,000,000 fully paid ordinary shares were issued following vesting of one year service conditions on 20 November 2016. On 20 December 2017, 1,000,000 fully paid ordinary shares were issued to Mr David Hathorn following the vesting of the Performance Rights due to his two years of service being completed on 20 November 2017. The remaining 11,000,000 Performance Rights were cancelled on 27 June 2018 following shareholder approval at the Company's AGM.
- (6) 531,250 performance rights vested and converted to fully paid ordinary shares on 2 March 2016. In addition, on 3 February 2017, 531,250 fully paid ordinary shares were issued to Mr Sean Bennett following vesting of one year service condition on 20 November 2016. On 20 December 2017, 531,250 Fully Paid Ordinary Shares were issued to him following the vesting of the Performance Rights due to two years of service being completed on 20 November 2017. On 4 June 2018, 1,025,000 of these Performance Rights were cancelled following his resignation. Out of the remaining 5,881,250 Performance Rights of this series, 531,250 vested on 4 June 2018 (upon resignation) and is yet to be converted into shares, and the remaining has not yet vested.
- (7) These Performance Rights were cancelled on 27 June 2018 following shareholder approval at the Company's AGM. These were replaced with the Rights issues 16 to 20.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Share based payment arrangements in existence (Cont)

The following Performance Rights from share based payment arrangements were in existence during the current and prior periods (cont):

|                                      | Grant Date | Vesting Date       | Number of Rights | Expiry Date | Fair Value at Grant Date |
|--------------------------------------|------------|--------------------|------------------|-------------|--------------------------|
| Rights Series 12 <sup>(8) (9)</sup>  | 29/05/2017 | <i>Refer below</i> | 2,000,000        | 31/05/2022  | AUD 0.1700               |
| Rights Series 13 <sup>(8) (10)</sup> | 31/05/2017 | 4 June 2018        | 660,000          | 31/05/2022  | AUD 0.1700               |
| Rights Series 14 <sup>(8) (11)</sup> | 29/05/2017 | <i>Refer below</i> | 4,482,005        | 31/05/2022  | AUD 0.1700               |
| Rights Series 15 <sup>(12)</sup>     | 29/05/2017 | <i>None vested</i> | 11,734,853       | 31/05/2022  | AUD 0.17 / AUD 0.104     |

- (8) The fair value of the performance rights granted was estimated as at the grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model taking into account the terms and conditions upon which the instruments were granted. The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| Input into the model   | Rights Series 12 | Rights Series 13 | Rights Series 14 |
|------------------------|------------------|------------------|------------------|
| Grant date share price | AUD 0.17         | AUD 0.17         | AUD 0.17         |
| Expected volatility    | 75.00%           | 75.00%           | 75.00%           |
| Rights life            | 2 years          | 2 years          | 2 years          |
| Risk free rate         | 1.66%            | 1.66%            | 1.66%            |
| Grant date fair value  | AUD 0.1700       | AUD 0.1700       | AUD 0.1700       |

- (9) The On 20 December 2017, 595,000 Performance Rights vested and were converted into ordinary shares following the resignation of certain employees.
- (10) These Performance Rights fully vested on 4 June 2018 following Mr Sean Bennett's resignation, and are yet to be converted into fully paid ordinary shares as at 31 December 2019.
- (11) On 20 December 2017, 735,000 Performance Rights vested and were converted into ordinary shares following the resignation of certain employees. In addition, 948,438 Performance Rights vested on 21 May 2018 following Board assessment and approval of the award portion of these rights and are yet to be converted into fully paid ordinary shares at reporting date. The remaining 2,798,567 Performance Rights have not yet been vested.
- (12) The fair value of the performance rights granted was estimated as at the grant date using the Cox, Ross and Rubinstein Binomial Option Pricing Model (for performance rights with performance conditions) and the Monte Carlo Simulation Model (for performance rights with market conditions) taking into account the terms and conditions upon which the instruments were granted. The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| Input into the model   | Rights Series 15<br>(Performance Conditions) | Rights Series 15<br>(Market Conditions) |
|------------------------|----------------------------------------------|-----------------------------------------|
| Grant date share price | AUD 0.17                                     | AUD 0.17                                |
| Expected volatility    | 75.00%                                       | 75.00%                                  |
| Rights life            | 5 years                                      | 5 years                                 |
| Risk free rate         | 2.05%                                        | 2.05%                                   |
| Grant date fair value  | AUD 0.1700                                   | AUD 0.1040                              |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 22: SHARE-BASED PAYMENTS (CONT)

#### Share based payment arrangements in existence (Cont)

The following Performance Rights from share based payment arrangements were in existence during the current and prior periods (cont):

|                                  | Grant Date | Vesting Date          | Number of Rights | Expiry Date | Fair Value at Grant Date |
|----------------------------------|------------|-----------------------|------------------|-------------|--------------------------|
| Rights Series 16 <sup>(13)</sup> | 27/06/2018 | None vested           | 1,500,000        | 22/05/2022  | GBP 0.0564               |
| Rights Series 17 <sup>(13)</sup> | 27/06/2018 | None vested           | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 18 <sup>(13)</sup> | 27/06/2018 | None vested           | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 19 <sup>(13)</sup> | 27/06/2018 | None vested           | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 20 <sup>(13)</sup> | 27/06/2018 | None vested           | 750,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 21 <sup>(15)</sup> | 27/06/2018 | Vested<br>Immediately | 500,000          | 22/05/2022  | GBP 0.0564               |
| Rights Series 22 <sup>(15)</sup> | 27/06/2018 | Vested<br>Immediately | 1,050,000        | 22/05/2022  | GBP 0.0564               |

(13) These performance rights were issued to the following non-executive directors following shareholder approval at the Company's AGM on 27 June 2019:

| Series           | Director         | Number    | Converted into shares on 27 June 2019 | Cancelled on resignation |
|------------------|------------------|-----------|---------------------------------------|--------------------------|
| Rights Series 16 | David Hathorn    | 1,500,000 | 500,000                               | -                        |
| Rights Series 17 | Jonathan Trollip | 750,000   | 250,000                               | -                        |
| Rights Series 18 | Leonard Math     | 750,000   | 312,500                               | 437,500                  |
| Rights Series 19 | David Netherway  | 750,000   | 250,000                               | -                        |
| Rights Series 20 | Timothy Keating  | 750,000   | 250,000                               | -                        |

The performance rights are a one-off award and will unconditionally vest in three equal tranches on the first, second and third anniversary of the Company's admission to the AIM market. These performance rights will expire on 22 May 2022. Please see note 12(a) for further disclosure

The fair value of the performance rights granted was estimated as at the grant date using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the instruments were granted. The input used in the measurement of the fair value at grant date of the performance rights were as follows:

| Input into the model   | Rights Series 16 to 20 (Inclusive) |
|------------------------|------------------------------------|
| Grant date share price | GBP 0.06                           |
| Expected volatility    | 90.12%                             |
| Rights life            | 4 years                            |
| Grant date fair value  | GBP 0.0564                         |

On 18 October 2019, it was confirmed that David Hawthorn was converting 500,000 performance rights to shares; whilst Jonathan Trollip, David Netherway and Timothy Keating were all converting 250,000.

Leonard Math's resignation on 28 June 2019 resulted in the forfeiture of 437,500 of his Right Series 18 Performance rights. The remaining 312,500 were converted into shares at that date.

(14) These were issued to David Hathorn and Sean Bennett at the 2018 AGM to recognise their continued service. These had no vesting conditions.

The Performance Rights outstanding at 31 December 2019 had a weighted average remaining contractual life of 2.06 years.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 23: LOSS PER SHARE

#### *Classification of securities as ordinary shares*

The Company has only one category of ordinary shares included in basic earnings per share.

#### *Classification of securities as potential ordinary shares – share options and rights outstanding*

The Company has granted 30,900,000 share options in respect of a total of ordinary shares at 31 December 2019 (31 December 2018: 71,200,000), equity warrants (31 December 2018: 13,144,659) and 28,193,108 performance rights (31 December 2018: 32,070,104). Options, equity warrants and rights are considered to be potential ordinary shares. However, as the Company and Group are in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the Company and Group than is shown by basic earnings per share. The options warrants and performance rights have not been included in the determination of basic earnings per share.

|                                                             | Parent    |           | Consolidated Entity |           |
|-------------------------------------------------------------|-----------|-----------|---------------------|-----------|
|                                                             | Dec 2019  | Dec 2018  | Dec 2019            | Dec 2018  |
|                                                             | USD Cents | USD Cents | USD Cents           | USD Cents |
| Basic and diluted loss per share from continuing operations | (1.68)    | (0.20)    | (0.36)              | (0.75)    |

|                                            | Parent       |             | Consolidated Entity |             |
|--------------------------------------------|--------------|-------------|---------------------|-------------|
|                                            | Dec 2019     | Dec 2018    | Dec 2019            | Dec 2017    |
|                                            | USD          | USD         | USD                 | USD         |
| Earnings reconciliation                    |              |             |                     |             |
| Loss attributable to ordinary shareholders | (19,593,518) | (1,715,799) | (4,204,007)         | (6,249,696) |

|                                                                                                            | Parent        |             | Consolidated Entity |             |
|------------------------------------------------------------------------------------------------------------|---------------|-------------|---------------------|-------------|
|                                                                                                            | Dec 2019      | Dec 2017    | Dec 2019            | Dec 2017    |
|                                                                                                            | Number        | Number      | Number              | Number      |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,163,030,183 | 838,752,968 | 1,163,030,183       | 838,752,968 |

#### **Headline earnings/loss per share**

It is a JSE listing requirement to disclose headline earnings/loss per share, a non-IFRS measure. It is considered to be a useful metric as it presents the earnings/loss per share after removing the effect of re-measurements to assets and liabilities (for example impairment of property, plant and equipment) otherwise recognised in the profit/loss for the year. During the current and prior year there was no difference between earnings/loss per share and headline earnings/loss per share and therefore no reconciliation between the two measures has been presented.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT)

### NOTE 24: CONTINGENT LIABILITIES

As at the date of this report, the Company's subsidiary, SPSA, has been in litigation before the Administrative Chamber of the Supreme Court of the Republic of Congo and before the Labour Tribunal. These two proceedings result from an action taken by a former employee, as well as a group of 30 claimants, following the retrenchment of these 31 employees on 20 November 2014.

On 14 June 2018 the Supreme Court confirmed that the retrenchments had followed due process and cancelled the previous decision of the Minister of Labour against SPSA. The former employees have appealed the findings and the Company has until 27 September 2019 to respond. The Labour Tribunal action is anticipated to be favourably concluded following the Supreme Court findings with the next hearing on 9 October 2019. The 9 October 2019 hearing was postponed to 18 November 2019. On 18 November 2019, the President decided to push the hearing to 30 December 2019. On 30 December 2019, the Company performed oral pleading before the judge. The judge scheduled the next hearing to 23 March 2020.

On 28 August 2018, 25 former employees working on the exploration site from 2009 to 2013 instituted further action before the Labour Tribunal, claiming compensation for unpaid overtime and damages. The Company presented its position and responded to the Supreme Court on 27 September 2019. The legal proceedings are ongoing.

On 31 October 2019 the former Finance and Administration Manager (Serge Koffi) of SPSA, claimed unfair and abusive dismissal from Kore Potash Ltd and from SPSA. The parties are discussing a possible amicable settlement agreement to avoid court proceedings.

The Directors have concluded that any possible exposure and cash outflow from the Group as a result of the first two legal proceedings would be immaterial.

## ASX ADDITIONAL INFORMATION (UNAUDITED)

The shareholder and CDI holder information set out below was applicable as at 21 February 2020.

### Registered office and principal place of business

#### Principal and Registered Office (UK)

25, Moorgate, London  
 United Kingdom EC2R 6AY  
 Telephone: +44 20 7131 4000  
 Facsimile: +44 20 7131 4001

#### Australian Office

Level 3, 88 William Street,  
 Perth WA 6000  
 Telephone: +61 (8) 9463 2463  
 Facsimile: +61 (8) 9463 2499

#### Sintoukola Potash S.A.

24 Avenue Charles de Gaulle  
 Immeuble Atlantic Palace  
 BP 662 Pointe Noire  
 République du Congo  
 Telephone: +242 222 9419

#### South Africa Office

2 Bruton Road,  
 Block C, Nicol Main Office Park  
 Bryanston Johannesburg  
 2021 South Africa  
 Telephone: +27 11 469 9140

### Registers of securities are held at the following address:

Computershare Investor Services Plc  
 The Pavilions, Bridgwater Road  
 Bristol BS99 6ZZ  
 United Kingdom  
 Telephone: +44 (0)370 707 1258  
 Fax: +44 (0)370 703 6101

Computershare Investor Services Pty Ltd  
 Level 11, 172 St George's Terrace  
 Perth WA 6000  
 Telephone: +61 (8) 9323 2000  
 Facsimile: +61 (8) 9323 2033

Computershare Investor Services (Pty) Ltd  
 Rosebank Towers  
 15 Biermann Avenue  
 Rosebank 2196  
 South Africa  
 Telephone: +27 11 370 5000

### Number of holders of ordinary shares

1,541,252,564 fully paid ordinary shares and CDIs are held by 1,768 individual shareholders.

## ASX ADDITIONAL INFORMATION (UNAUDITED) (CONT)

### Distribution of fully paid ordinary share and CDI holders

| Size of Holding   | No. of holders | Units                | Percentage %  |
|-------------------|----------------|----------------------|---------------|
| 1 to 1,000        | 391            | 179,868              | 0.01          |
| 1,001 to 5,000    | 503            | 1,459,797            | 0.09          |
| 5,001 to 10,000   | 223            | 1,839,891            | 0.12          |
| 10,001 to 100,000 | 425            | 15,836,831           | 1.03          |
| 100,001 and over  | 226            | 1,521,936,177        | 98.75         |
|                   | <b>1,768</b>   | <b>1,541,252,564</b> | <b>100.00</b> |

The number of Australian holdings comprising less than a marketable parcel was 1,199 with a given a share value of AUD 0.0210 per share.

### Substantial shareholders and CDI holders

Substantial shareholders and CDI holders listed in the Company's share register as at 21 February 2020:

| Name                                                                          | No. of fully paid ordinary shares / CDIs | Percentage % | No. of unlisted options / equity warrants held |
|-------------------------------------------------------------------------------|------------------------------------------|--------------|------------------------------------------------|
| Princess Aurora Company Pte Limited <b>Error! Reference source not found.</b> | 304,223,209                              | 19.74        | 5,000,000                                      |
| Sociedad Quimica y Minera de Chile S.A.                                       | 296,896,737                              | 19.26        | 3,000,000                                      |
| Dingyi Group Investment Limited <b>Error! Reference source not found.</b>     | 199,018,281                              | 12.91        | -                                              |
| Mr David Stevens <b>Error! Reference source not found.</b>                    | 109,000,000                              | 7.07         | -                                              |
| Harlequin Investments Ltd <b>Error! Reference source not found.</b>           | 103,500,000                              | 6.72         | 750,000                                        |
| Mr David Hathorn <b>Error! Reference source not found.</b>                    | 48,769,093                               | 3.16         | 4,250,000                                      |
|                                                                               | <b>1,061,407,320</b>                     | <b>68.87</b> | <b>13,000,000</b>                              |

(i) Includes 271,858,209 ordinary shares held by Forest Nominees Limited on behalf of Princess Aurora Company Pte Limited and 32,365,000 ordinary shares held directly.

(ii) Includes 177,665,258 ordinary shares held by Golden Season International Limited and 497,499 ordinary shares held by JP Morgan International Limited on behalf of Dingyi Group Investment Limited and 20,855,524 ordinary shares held directly.

(iii) Includes 4,400,000 ordinary shares held by Citicorp Nominees Pty Limited and 1,100,000 ordinary shares held by The Cricket Settlement Trust on behalf of Mr David Stevens. The remaining 103,500,000 ordinary shares are held directly.

(iv) 100% of shareholding held in Huntress (CI) Nominees Limited.

(v) 100% of shareholding held in The Bank of New York (Nominees) Limited.

### On-market buy-back

There is no current on-market buy-back.

## ASX ADDITIONAL INFORMATION (UNAUDITED) (CONT)

### Twenty largest holders of quoted equity securities (ordinary shares / CDIs)

| Top 20 Shareholders and CDI holders as at 21 February 2020 | Number of Shares / CDIs | % Held       |
|------------------------------------------------------------|-------------------------|--------------|
| Princess Aurora Company Pte Ltd                            | 304,223,209             | 19.74        |
| Sociedad Quimica y Minera                                  | 296,896,737             | 19.26        |
| Dingyi Group Investment Ltd                                | 199,018,281             | 12.91        |
| Mr David Stevens                                           | 109,000,000             | 7.07         |
| Harlequin Investments Ltd                                  | 103,500,000             | 6.72         |
| Mr David Hathorn                                           | 48,769,093              | 3.16         |
| Wadeville International                                    | 36,828,789              | 2.39         |
| Global Prime Partners                                      | 34,631,250              | 2.25         |
| Jarvis Investment Mgt                                      | 24,074,040              | 1.56         |
| Equity Drilling Limited                                    | 22,000,000              | 1.43         |
| Internaxx                                                  | 20,953,000              | 1.36         |
| ADM Investor Services International                        | 20,702,000              | 1.34         |
| Bank J. Safra Sarasin                                      | 17,080,540              | 1.11         |
| New Africa Developments                                    | 15,443,004              | 1.00         |
| SVS Securities                                             | 14,296,814              | 0.93         |
| UBS Securities                                             | 12,870,940              | 0.84         |
| Classic International Impex                                | 12,000,000              | 0.78         |
| Peregrine Capital                                          | 11,189,850              | 0.73         |
| Coronation Fund Mgrs                                       | 11,150,522              | 0.72         |
| Interactive Brokers                                        | 8,701,800               | 0.56         |
| <b>Total</b>                                               | <b>1,323,329,869</b>    | <b>85.86</b> |

### Unquoted equity securities

| Class                                                             | Number of unquoted equity securities | Number of holders | Number of holders holding 20% or more in the class |
|-------------------------------------------------------------------|--------------------------------------|-------------------|----------------------------------------------------|
| Unlisted options exercisable at GBP 0.11 expiring 27 June 2020    | 4,000,000                            | 1                 | 1                                                  |
| Unlisted options exercisable at GBP 0.022 expiring 19 July 2024   | 26,900,000                           | 1                 | 1                                                  |
| Equity warrants exercisable at AUD 0.30 expiring 29 Mar 2021      | 13,144,659                           | 8                 | 2                                                  |
| Performance Rights expiring 6 December 2020 (Employees)           | 2,255,000                            | 1                 | 1                                                  |
| Performance Rights expiring 1 March 2021 (Ex Director)            | 5,881,250                            | 1                 | 1                                                  |
| Performance Rights expiring 31 May 2019 (2016 Awards)             | 2,065,000                            | 11                | 1                                                  |
| Performance Rights expiring 31 May 2020 (Short Term Plan)         | 3,747,005                            | 9*                | *                                                  |
| Performance Rights expiring 31 May 2022 (Long Term Plan)          | 11,734,853                           | **                | **                                                 |
| Performance Rights expiring 22 May 2022 (Non-Executive Directors) | 2,500,000                            | 4                 | 4                                                  |
|                                                                   | <b>72,227,767</b>                    | <b>N/A</b>        | <b>N/A</b>                                         |

\*These Performance Rights relate to Employee Performance Rights to be allocated following employee assessment and Board approval. At the date of the report, the Performance Rights for 9 employees were approved by the Board.

\*\*These Performance Rights relate to Employee Performance Rights to be allocated following employee assessment and Board approval.

## ASX ADDITIONAL INFORMATION (UNAUDITED) (CONT)

### Unquoted equity security holdings greater than or equal to 20%

|                                                                | Number of unlisted<br>options | Percentage |
|----------------------------------------------------------------|-------------------------------|------------|
| Unlisted options exercisable at GBP 0.11 expiring 27 June 2020 |                               |            |
| David Hathorn                                                  | 4,000,000                     | 100%       |

|                                                                 | Number of unlisted<br>options | Percentage |
|-----------------------------------------------------------------|-------------------------------|------------|
| Unlisted options exercisable at GBP 0.022 expiring 19 July 2024 |                               |            |
| Brad Sampson                                                    | 26,900,000                    | 100%       |

|                                                                | Number of unlisted<br>options | Percentage |
|----------------------------------------------------------------|-------------------------------|------------|
| Equity warrants exercisable at AUD 0.30 expiring 29 March 2021 |                               |            |
| Princess Aurora Company Pte Limited                            | 5,000,000                     | 38%        |
| Sociedad Quimica Y Minera De Chile S.A                         | 3,000,000                     | 23%        |
| All others                                                     | 5,144,659                     | 39%        |
|                                                                | 13,144,659                    | 100%       |

|                                                         | Number of<br>Performance Rights | Percentage |
|---------------------------------------------------------|---------------------------------|------------|
| Performance Rights expiring 6 December 2020 (Employees) |                                 |            |
| Werner Swanepoel                                        | 2,255,000                       | 100%       |

|                                                        | Number of<br>Performance Rights | Percentage |
|--------------------------------------------------------|---------------------------------|------------|
| Performance Rights expiring 1 March 2021 (Ex Director) |                                 |            |
| Sean Bennett                                           | 5,881,250                       | 100%       |

|                                                       | Number of<br>Performance Rights | Percentage |
|-------------------------------------------------------|---------------------------------|------------|
| Performance Rights expiring 31 May 2019 (2016 Awards) |                                 |            |
| Sean Bennett                                          | 660,000                         | 32%        |
| All others                                            | 1,405,000                       | 68%        |
|                                                       | 2,065,000                       | 100%       |

|                                               | Number of<br>Performance Rights | Percentage |
|-----------------------------------------------|---------------------------------|------------|
| Performance Rights expiring 22 May 2022 (Dir) |                                 |            |
| David Hathorn                                 | 1,000,000                       | 40%        |
| Jonathan Trollip                              | 500,000                         | 20%        |
| David Netherway                               | 500,000                         | 20%        |
| Timothy Keating                               | 500,000                         | 20%        |
|                                               | 2,500,000                       | 100%       |

## **ASX ADDITIONAL INFORMATION (UNAUDITED) (CONT)**

### **Voting Rights**

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options, Performance Rights and Equity Warrants do not carry any voting rights.

### **Securities exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX. The Company's ASX code is "KP2". On the ASX they are traded as CDIs. On 29 March 2018, the Company completed secondary listings on the AIM market operated by the London Stock Exchange and on the JSE.

### **Restricted securities**

There are no restricted securities or securities in voluntary escrow at the date of this report.

### **Company Secretary**

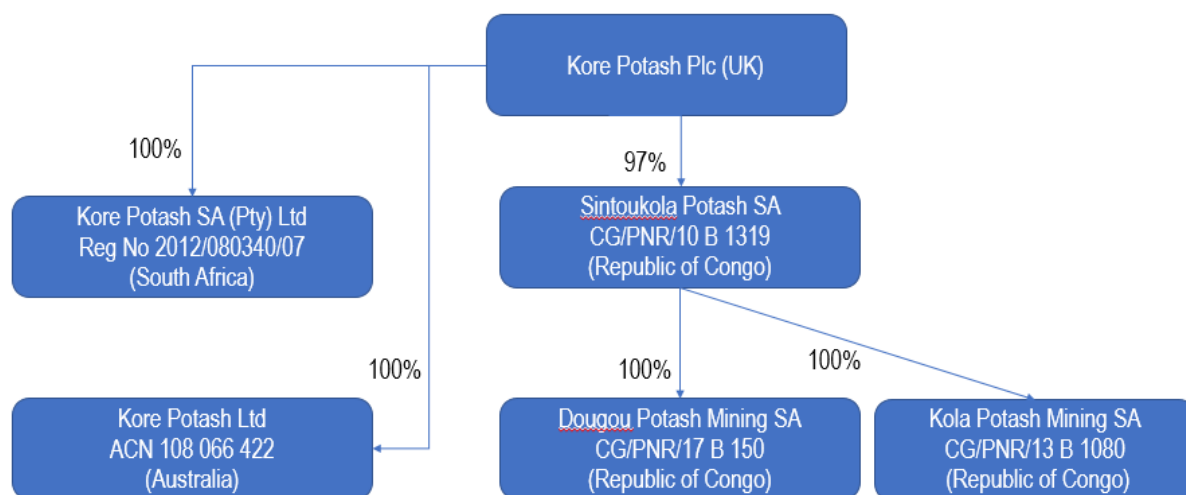
The names of the joint company secretaries are St James's Corporate Services Limited and Henko Vos.



## ASX ADDITIONAL INFORMATION (UNAUDITED) (CONT)

### Tenement Details and Ownership

The Company is incorporated and registered in England and Wales and wholly owns Kore Potash Limited of Australia. The Company also has a 97% holding in SPSA in the RoC (see Note 12(f)). SPSA is the 100% owner of Kola Potash Mining S.A. which is the sole owner of the Kola Mining Lease and 100% owner of Dougou Potash Mining S.A. which is the sole owner of the Dougou Mining Lease (Figure 2). SPSA also has the Sintoukola 2 Exploration Permit of which it is the sole owner. The Kola Deposit is located within the Kola Mining Lease. The Dougou Mining lease hosts the Dougou Deposit and the Dougou Extension Deposit.



### Project Overview

A project overview for the Group is included in the Review of Operations and Strategic Report on page 7.