KATORO GOLD PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

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CORPORATE DIRECTORY

BOARD OF DIRECTORS:	Louis Coetzee	Chairman (Executive)
	Louis Scheepers	Non-executive director
	Myles Campion	Non-executive director
	Paul Dudley	Non-executive director
	Lukas Maree	Non-executive director

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CORPORATE DIRECTORY

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WEBSITE:	www.katorogold.com
DATE OF INCORPORATION:	11 November 2014
COMPANY NUMBER:	09306219

CHAIRMAN'S REPORT

2018 saw Katoro advance work at its Imweru gold project in Tanzania and broaden its project portfolio with the acquisition of a highly prospective nickel project, Haneti, also in Tanzania, to deliver on its commodity diversification strategy. We are enthusiastic about advancing the work programme at Haneti and look forward to demonstrating its expected economic and strategic value over the coming months.

Imweru Gold Project, Tanzania

Located in the Lake Victoria Goldfields region of northern Tanzania, Imweru has a total JORC Mineral Resource of 11.607 Mt at grade of 1.38 g/t for a Mineral Resource of 515,110 oz Au at a mineral resource pay limit of 0.4 g/t for the open-pit material and 1.3 g/t for the underground material. Crucially, we believe that there is significant potential to enhance this further, especially considering that exploration work to date has only covered 50% of the project area.

During the year, our focus was on completing all technical aspects of the pre-feasibility study ("PFS") at the project, which we have done. However, due to changes in the Tanzanian mining legislation and associated mining regulations we were then compelled to temporarily suspend completion of the other elements of the PFS to conduct further assessments to determine the extent to which the new legislation and regulations could impact the viability of the project. Having completed this assessment, we concluded that there was still good upside exploration and development potential for the further development in time of the project. We are continuing our engagement with the Tanzanian Ministry of Minerals to determine the next steps with regards to the project's development.

Lubando Gold Project, Tanzania

We are continuing to assess the economic potential of our second gold project, Lubando, also located in the Lake Victoria Goldfields region of northern Tanzania, comprising prospecting licence PL6248/2009. The project has an established Mineral Resource of 6.78 Mt at grade of 1.10 g/t for 239,870 oz Au at a pay limit of 0.4 g/t to a depth of 200 m and 1.3 g/t below the 200 m depth cut-off. At present, this project remains on hold as we focus our attention on the potential development of the Imweru Project and the Haneti Nickel Project (as described above and below).

Haneti Nickel Project, Tanzania

As part of our strategy to diversify our portfolio, in November 2018, we completed the all-share acquisition of Kibo Nickel Limited and its wholly owned subsidiary, Eagle Exploration Limited, from the Company's majority shareholder, Kibo Energy plc, which was the previous 100% owner of the polymetallic Haneti Nickel Project in Tanzania ("Haneti Project") or ("Haneti"). We believe this to be an exciting opportunity for Katoro, given nickel's notable role in the rapidly growing electric vehicle battery market.

The 5,000 sq. km polymetallic Haneti Project is a highly prospective, high-grade nickel sulphide asset. Previous work, totalling approximately US$1.5 million, undertaken by Kibo Energy PLC has identified grades of up to 13.59% nickel with additional gold, cobalt, platinum credits and some significant lithium anomalies. Additionally, independent work, undertaken by Western Geophysics Pty prior to acquisition, underlines the potential of Haneti to host a substantial nickel sulphide deposit.

On completing the acquisition, we hit the ground running and immediately commenced a review and analysis of all historic work completed on the project, which has led us to believe that Haneti could host a chonolith type nickel sulphide deposit. Based on this review, we identified several high priority exploration targets including Mihanza Hill and are now advancing our 2019 work programme to ascertain the existence of disseminated or massive sulphide mineralisation at these targets. Using a variety of exploration techniques, the programme will seek to define a future drilling programme. To this end, we have completed a soil sampling programme of 1,500 samples, which were submitted for independent laboratory analysis, and which delivered results reconfirming, and extending the strike length, of the previously identified high priority ultramafic exploration targets, as well as identifying an additional ultramafic target, previously unknown to the Company.

Most recently, we entered into an agreement with the AIM quoted African Battery Metals PLC ("ABM") through which they are able to acquire up to a 35% interest in Haneti. This has formed the foundation for a strategic partnership with ABM, that boasts a highly experienced leadership team, as we continue to realise the full potential of Haneti and develop in a considered but efficient manner. Pursuant to the agreement, and following the recent exercise of the option, ABM has already invested £100,000 to acquire 10 million ordinary shares in the Company, 10 million warrants and a 25% interest in Haneti, with the option to invest a further £25,000 to acquire a further 10% interest in Haneti. We are very pleased that ABM are now our partner in the Haneti Project, as we seek to advance the project for the benefit of all stakeholders. Under the agreement, monies received from ABM must be allocated to the maintenance, exploration and development of Haneti and ABM will also now be required to fund its 25% share of the Haneti Project's costs, or its interest will be diluted in accordance with standard industry fund or dilute provisions.

CHAIRMAN'S REPORT

Financial Review

The result for the year amounted to a loss of £492,275 for the year ended 31 December 2018 (31 December 2017: Loss £1,903,676).

The Group currently generates no revenue and had net assets of £446,732 (£391,374) as at 31 December 2018.

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review and the below, they are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future.

Following receipt of the further monies from ABM, as detailed in the Chairman's Statement, the Group has a cash balance of approximately £248,000. Following receipt of these funds, the Company has sufficient funds to complete the current proposed work programme on the Haneti Project.

In the event that the Company is not able to raise further funding, and before any mitigating actions are taken, the Company has sufficient funds for its present working capital requirements through to the end of September 2019. The Directors though continue to review the Group's options to secure additional funding for its general working capital requirements, alongside its ongoing review of potential acquisition targets and corporate development needs. The Directors are confident in this light that such funding will be available, although there is no guarantee as to the terms of such funding or that such funding will be available. In addition, any equity funding may be subject to shareholder approvals in line with legal and regulatory requirements as appropriate. As a result, the Directors continue to monitor and manage the Company's cash and overheads carefully in the best interests of its shareholders.

Whilst the Directors continue to consider it appropriate to prepare the financial statements on a going concern basis the above constitutes a material uncertainty that shareholders should be aware of.

Outlook

Looking ahead, I am particularly excited about Haneti's potential, which has multiple value upside triggers ahead and I look forward to keeping shareholders updated on our progress in this regard. We are also in the process of reviewing and assessing prospective new projects as we advance our strategy of diversifying Katoro's portfolio to increase our exposure to new commodities and geographies.

Finally, I would like to thank our shareholders, management, employees and advisors for their support over the course of the year and I look forward to providing further updates on our progress going forward.

Louis Coetzee
Executive Chairman
22 May 2019

STRATEGIC REPORT

The Board of Directors present their Strategic report together with the audited annual financial statements for the year ended 31 December 2018 of Katoro Gold PLC ("the Company") and its subsidiaries (collectively "the Group").

Principal activities
The principal activity of the Group is gold and nickel focussed exploration activities in Tanzania.

Review of business in the year
The Group is in its early stage of development and details of the operational activities of the Group are included in the Chairman's statement.

During the year to 31 December 2018 the Company successfully concluded the all-share acquisition of Kibo Nickel Limited and its wholly owned subsidiary, Eagle Exploration Limited, from the Company's majority shareholder, Kibo Energy PLC, which was the previous 100% owner of the polymetallic Haneti Nickel Project in Tanzania. Additionally, the Company has raised £325,000 via a placing of 25,000,000 new ordinary shares of £0.01 each in the Company at a price of 1.30 pence.

Financial activities
During the year to 31 December 2018 and following the successful completion of the acquisition of Kibo Nickel Limited, the Group used existing cash resources and the proceeds from the £325,000 placing to continue to evaluate the Imweru Project, and to develop an initial work programme to evaluate the Haneti Project and incurred expenditure of £77,740.

Description	**31 December 2018**
Exploration expenditure	£77,740
Cash balance held	£412,731

The result for the year ended 31 December 2018 amounted to a loss of £492,275 (31 December 2017: Loss £1,903,676). Following receipt of the further monies from ABM, the Group has a cash balance of approximately £248,000.

Key performance indicators
The Group is in its early stage of development and since its admission to AIM in May 2017, the Group has been focussed on exploration activities in Tanzania. The Group is currently in the evaluation phase and the key business objective is to complete this phase and move to development. Details of the expenditure incurred during 2018 are included above and related predominantly to work undertaken at the Imweru Project. Management do not consider there to be any KPI's at this stage other than the result for the period, which is included in the statement of comprehensive income.

Principal Risks and Uncertainties
The realisation of exploration and evaluation assets is dependent on the discovery and successful development of economic mineral reserves and is subject to a number of significant potential risks summarised as follows, and described further below:

- Financial instrument & Foreign exchange risk;
- Strategic risk;
- Funding risk;
- Commercial risk;
- Operational risk;
- Speculative Nature of Mineral Exploration and Development;
- Political Stability; and
- Foreign investment risks including increases in taxes, royalties and renegotiation of contracts.

Financial instrument and foreign exchange risk
The Company and Group are exposed to risks arising from financial instruments held and foreign exchange transactions entered into throughout the period. These are discussed in Note 16 to the Annual Financial Statements.

Strategic risk
Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Group may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Group will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. The Company expects to undertake sufficient due diligence where warranted to help ensure opportunities are subjected to proper evaluation.

STRATEGIC REPORT

Funding risk
In the past the Group has raised funds via equity contributions from new and existing shareholders, thereby ensuring the Group remains a going concern until such time that revenues are earned through the sale or development and mining of a mineral deposit. There can be no assurance that such funds will continue to be available on reasonable terms, or at all in future. The Directors regularly review cash flow requirements to ensure the Group can meet financial obligations as and when they fall due.

The Group currently generates no revenue and had net assets of £446,732 (£391,374) as at 31 December 2018.

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review and the below, they are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future.

Following receipt of the further monies from ABM, as detailed in the Chairman's Statement, the Group has a cash balance of approximately £248,000. Following receipt of these funds, the Company has sufficient funds to complete the current proposed work programme on the Haneti Project.

In the event that the Company is not able to raise further funding, and before any mitigating actions are taken, the Company has sufficient funds for its present working capital requirements through to the end of September 2019. The Directors though continue to review the Group's options to secure additional funding for its general working capital requirements, alongside its ongoing review of potential acquisition targets and corporate development needs. The Directors are confident in this light that such funding will be available, although there is no guarantee as to the terms of such funding or that such funding will be available. In addition, any equity funding may be subject to shareholder approvals in line with legal and regulatory requirements as appropriate. As a result, the Directors continue to monitor and manage the Company's cash and overheads carefully in the best interests of its shareholders.

Whilst the Directors continue to consider it appropriate to prepare the financial statements on a going concern basis the above constitutes a material uncertainty that shareholders should be aware of.

Commercial risk
The mining industry is competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of such minerals. There can be no assurance that the quality of the minerals will be such that the Group properties can be mined at a profit. Factors beyond the control of the Group may affect the marketability of any minerals discovered. Mineral prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. Ultimately, the Group expects that prior to a development decision, a project would be the subject of a feasibility analysis to ensure there exists an appropriate level of confidence in its economic viability.

Operational risk
Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact any future production throughout. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Company will develop and maintain policies appropriate to the stage of development of its various projects.

Staffing and Key Personnel Risks
Recruiting and retaining qualified personnel is critical to the Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. While the Company has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Group's business, results of operations and financial condition. Staff are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Group.

Speculative Nature of Mineral Exploration and Development
In addition to the above there can be no assurance that the current exploration programmes will result in profitable mining operations.

STRATEGIC REPORT

The recoverability of the carrying value of exploration and evaluation assets is dependent on the successful discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Group to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in market conditions could require material write downs of the carrying value of the Group's assets.

Development of the Group's mineral exploration properties is, amongst others, contingent upon obtaining satisfactory exploration results and securing additional adequate funding. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk reduces substantially when a Group's properties move from the exploration phase to the development phase.

The discovery of mineral deposits is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, including the size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, several years can elapse from the initial phase of drilling until commercial operations are commenced.

Political Stability
The Company is conducting its activities in Tanzania. Following the recent changes to mining legislation and associated regulation in Tanzania, the Directors believe that the Government of Tanzania supports the development of natural resources by foreign investors and the Directors actively monitor the situation on an ongoing basis. However, there is no assurance that future political and economic conditions in Tanzania will not result in the Government of Tanzania adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, may affect the Company's ability to develop the projects.

Uninsurable Risks
The Group may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of prohibitive premium costs or for other reasons, such as amounts which exceed policy limits.

Foreign investment risks including increases in taxes, royalties and renegotiation of contracts
The Group is subject to risk arising from the ever-changing economic environment in which its subsidiaries operate, mainly driven by the changing regulatory environment governing corporate taxation, transfer pricing and other investment related operational activities. The Group continues to re-assess its investment decisions in order to limit exposure to the ever-changing regulatory environment in which it operates.

This report was approved by the Board on 22 May 2019 and signed on its behalf by:

Louis Coetzee
Executive Chairman

CORPORATE GOVERNANCE REPORT

Our Group is dedicated to upholding a high standard of corporate governance. As Chairman, it remains my responsibility, working with my fellow Board members, to ensure that good standards of corporate governance are embraced throughout the Group. As a Board, we set clear expectations concerning our culture, values and behaviours. We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably, responsibly and deliver value for our shareholders.

With effect from the 20 September 2018 the Board chose to adhere to the principles set out in the QCA Corporate Governance Code ("QCA Code"). Set out below are the ten principles of the QCA code and an explanation of how the Company complies or an explanation where it does not.

1. Establish a strategy and business model which promote long-term value for shareholders

Katoro's primary focus is on evaluating the development potential of its Tanzanian projects including the Imweru and Lubando Projects. The Group is also in the process of reviewing other exploration and mining projects in the region, which resulted in the recent announcement of the Group's acquisition of the Haneti Project in Tanzania, with a view to building a diversified mining portfolio. Accordingly, subject to funding, the majority of Katoro's resources will be used to fund the continued evaluation of the Company's Tanzanian projects with specific reference to the proposed initial work programme for the Haneti Project.

The Board sets the Company's strategy and monitors its implementation through management and financial performance reviews. It also works to ensure that adequate resources are available to implement strategy in a timely manner. The Company has set out a strategy and business model to promote long-term value for shareholders and will update all shareholders on this in the annual reports for each year.

The Board meet on a regular basis to discuss the strategic direction of the Group and any significant deviation or change will be highlighted promptly should this occur.

2. Seek to understand and meet shareholder needs and expectations

The Company is committed to listening to, and communicating openly with, its shareholders to ensure that its strategy, business model and performance are clearly understood. Open communication as referred to in the foregoing is conducted within the relevant regulatory, statutory and governance frameworks, as applicable. The Company regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

In addition, the Company's progress on achieving its key targets are regularly communicated to investors via presentations and through its announcements to the market which can be found at www.katorogold.com. Contact details are also provided on the Company's website and within regulatory market announcements should shareholders wish to communicate with the Company.

The Company also seeks professional advice on shareholder communication from the Company's Nominated Adviser, Broker, Auditor, Investor and Media Relations Adviser and the Company Secretary.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognise their responsibilities to stakeholders including staff, suppliers and customers and those within the community it operates in. The Board, lead by the Executive Chairman, are also responsible for fostering and improving open communication and contact with relevant stakeholders of the Group.

At present the Company does not have an active mechanism to obtain stakeholder feedback, however, as listed above contact details for the Company can be found on the Company's website and market announcements in case stakeholders need to contact the Company.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

A detailed analysis of the principal risks can be found in the Strategic Report on pages 4 to 6. The principal risks that the Group is exposed to are classified under the general headings of funding risk, exploration risk, commodity risk, price risk, currency risk and political risk. The Board regularly reviews the risks facing the business and the internal controls which are in place to address risks. In order to support its duties and responsibilities the Board implements control procedures that assess and manage risk and ensure robust financial and operational management within the Group.

The Audit Committee is tasked with monitoring the integrity of the Groups' integrated reporting and all factors and risks that may impact reporting. Whilst the audit committee continually reviews risk and control procedures, it is nevertheless part of the everyday function of the entire board of directors.

5. Maintain the board as a well-functioning, balanced team led by the Chairman

The Board and their biographical details can be found with the Directors Report on pages 10 to 16. The Directors report also includes details of the Committees and the number of meetings held during the year with the attendance record of each Director.

The QCA Code recommends that the Chair and Chief Executive should not be the same person. Currently Louis Coetzee acts as Chairman and Chief Executive. The Directors believe that given the size of the Company and its stage of development, it is appropriate for the Company to currently have an Executive Chairman, though they will continue to monitor this on an ongoing basis as the Company grows and develops. For the same reason, the Board have not appointed a senior independent director. Furthermore, the role of the Executive Chairman is balanced with a board of directors that consists of a majority of non-executive directors.

The Board contains two independent non-executive directors, being Paul Dudley and Myles Campion.

The Board is of the view that the Chairman and each the Directors who held office during 2018 committed sufficient time to fulfilling their duties as members of the Board. The minimum time commitment required by each non-executive director amounts to two working days per month.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board has a mix of experience skills and personal qualities that help deliver the strategy of the Company. The Company will ensure that between them that the Directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets. Each Directors' biographical details along with a description of their role and experience can be found within the Directors Report on pages 10 to 16.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Given the Company's current size, the Board has not considered it necessary to undertake an assessment of the Board performance and effectiveness. The Board will continue to monitor this on an ongoing basis as the Company continues to grow and will decide to conduct a board effectiveness review when deemed necessary.

8. Promote a corporate culture that is based on ethical values and behaviours

The Company operates a corporate culture that is based on ethical values and behaviours. It will maintain a quality system appropriate to the standards required for a Company of its size. The Board communicates regularly with staff through meetings and messages. The Company also has a Corporate Social Responsibility Policy details of which can be found on page 16 of the Directors Report.

CORPORATE GOVERNANCE REPORT

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board and Committees along with the matters reserved for each are explained within the Directors Report on pages 10 to 16. Further information can also be found on the Company's website www.katorogold.com.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company adheres to AIM rule 26 which is posted on the Company's website where shareholders and stakeholders can find publications, annual reports, notice of meetings and market announcements. In regards to a general meeting of the Company once the meeting has concluded the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website. If it became relevant, an explanation of actions where a significant proportion of votes were cast against a resolution, would be provided.

Due to the size and stage of development of the Group, an audit and remuneration committee report has not been included, however this will be kept under review for future annual reporting.

DIRECTORS' REPORT

The Board of Directors present their Annual Report together with the audited annual financial statements for the year ended 31 December 2018 of Katoro Gold PLC ("the Company"), registered number 09306219, and its subsidiaries (collectively "the Group").

The Board comprises of an Executive Director and four Non-executive Directors. As the Company evolves, the Board will be reviewed and expanded if necessary to ensure appropriate expertise is in place at all times to support its business activities.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions. An agenda and all supporting documentation is circulated to all Directors before each Board Meeting. Open and timely access to all information is provided to all Directors to enable them to bring independent judgement on issues affecting the Group and facilitate them in discharging their duties.

At the end of the financial year, and at the date of this report, the Board comprised:

Louis Coetzee – Chairman (Executive Director)
Louis Scheepers (Non-Executive Director)
Myles Campion (Non-Executive Director)
Paul Dudley (Non-Executive Director)
Lukas Marthinus Maree (Lukas Maree) (Non-Executive Director)

Louis Coetzee, BA, MBA, Age 54 – Chairman (Executive)
Louis has 25 years' experience in business development, promotion and financing in both the public and private sector. In recent years he has concentrated on the exploration and mining area where he has founded, promoted and developed a number of junior mineral exploration companies based mainly on Tanzanian assets. Louis has tertiary qualifications in law and languages, project management, supply chain management and an MBA from Bond University (Australia) specialising in entrepreneurship and business planning and strategy. He has worked in various project management and business development roles mostly in the mining industry throughout his career. Between 2007 and 2009, Louis held the position of Vice-President, Business Development with Canadian listed Great Basin Gold (TSX: CBG).

Louis Scheepers, Age 61 – (Non-Executive)
Louis is an experienced project manager with more than eighteen years' experience of practical project development and execution in the mining and extractive industry. He has gained valuable experience in mineral exploration, feasibility studies and greenfields mining projects, spending much time in South, Central and East Africa, as well as the Middle East.

Prior to joining Kibo Energy PLC, the Company's majority shareholder, as Chief Operations Officer, he held the position of CEO, Mzuri Exploration Services Ltd ("MXS"), as well as the Executive responsible for Project Development at the TSX, NYSE and JSE listed Great Basin Gold Ltd after completing a stint as a mining consultant.

Myles Campion, BSc, MSc, Age 49 – (Non-Executive)
Myles has a comprehensive background in all technical and financial facets of the resources sector, specialising internationally in resource evaluation and project assessment. This follows a 10-year career as an exploration and mine site geologist in Australia covering base metals and gold. He holds a BSc (Hons) in Geology from University of Wales College, Cardiff and an MSc (MinEx) from the Royal School of Mines in London, and also holds a Graduate Diploma of Business (Finance).

His financial experience ranges from Australian and UK equities research through to project and debt financing in London, covering the entire spectrum of mining companies with an extensive knowledge of the global resources market covering the three main bourses, the Toronto Stock Exchange, AIM and the ASX. This knowledge was applied effectively as a Fund Manager at Oceanic Asset Management, where he successfully managed the Australian Natural Resources Fund, an Open Ended Investment Company (OEIC) traded in London, steering the fund to an outperforming 50 percent return over five years. He is currently a director of AIM quoted Europa Metals Ltd.

Paul Dudley, BSc, FCA, Age 46 – (Non-Executive)
Paul is a Fellow of the Chartered Institute of Accountants of England and Wales and is a Member of the UK's Chartered Institute of Securities and Investment. He co-founded HD Capital Partners Ltd in 2010, a corporate advisory business that is authorised and regulated by the UK's Financial Conduct Authority.

DIRECTORS' REPORT

Earlier in his career, he worked as a Qualified Executive for stockbroking firm WH Ireland, where he acted as a Nominated Adviser on numerous flotations, fundraisings and provided advice on takeovers and other transactions in the private and public arena. Previously, Paul was seconded to the listing department of the London Stock Exchange and worked at Sigma Capital plc, a venture capital investment firm, where he advised on investment into emerging growth companies. He began his career at PriceWaterhouseCoopers.

Lukas Marthinus (Tinus) Maree, BLC, LLB, Age 56 – (Non-Executive)
Tinus Maree is a lawyer by profession. He has served on the boards of a number of public companies including Kibo Energy PLC, Goldsource Mines Limited, Africo Resources Limited and Diamondworks Limited that have made significant successful investments in exploration projects in Africa and North America, and has more recently served as the CEO of private investment companies Rusaf Gold Limited and Mzuri Capital Group Limited, both of which have successfully developed and sold mineral projects in Russia and Tanzania in the last seven years.

He was also a founder principal of River Group, designated advisors to the listing of Kibo on the JSE, and was responsible for its Canadian office until his retirement from the group in 2013 to pursue personal interests.

Review of Business Developments
As set out in the Chairman's Report and review of activities, Katoro Gold's primary focus is on evaluating its Tanzanian projects including the Imweru and Lubando Projects. The Company is also in the process of reviewing other exploration and mining projects in the region, which resulted in the Company's acquisition in November 2018 of the Haneti Nickel Project in Tanzania, with a view to building a diversified mining portfolio. Accordingly, subject to funding, the majority of Katoro's resources will be used to fund the continued development of the Company's Tanzanian projects with specific reference to the proposed initial work programme for the Haneti Project.

Results
The result for the year amounted to a loss of £492,275 for the year ended 31 December 2018 (31 December 2017: loss of £1,903,676).

Post Statement of Financial Position Events
On 15 March 2019 the Company announced it had entered into an investment and option agreement (the "Agreement") with AIM quoted African Battery Minerals Plc ("ABM"). Under the Agreement ABM are able to acquire up to 10 million new ordinary shares of 1.0 pence each in the capital of the Company ("Ordinary Shares"), together with up to 10 million warrants over Ordinary Shares, and an option to acquire, subject to the completion of due diligence by ABM, up to a 35% interest in Company's 100% owned Haneti Nickel Project ("Haneti") in Tanzania (the "Option") for a total consideration of up to £125,000.

On the same day, for a consideration of £25,000, ABM acquired 2,500,000 new Ordinary Shares and were granted 2,500,000 warrants to subscribe for 2,500,000 new Ordinary Shares at a price of 1.25 pence per share with a three year expiry term.

On 15 May 2019, ABM exercised the Option to invest a further £75,000 to acquire an additional 7,500,000 new Ordinary Shares, a further 7,500,000 warrants to subscribe for 7,500,000 new Ordinary Shares at a price of 1.25 pence per share with a three-year expiry term and a 25% interest in Haneti.

Pursuant to the Agreement, ABM has the right, at its sole discretion, for a 12 month period, to acquire a further 10% interest in Haneti for a further payment to Katoro of £25,000 in cash.

Under the Agreement, Katoro is required to allocate all monies received from ABM under the Agreement, other than in respect of monies received on the exercise of the warrants issued pursuant to the Agreement, to the maintenance, exploration and development of Haneti.

DIRECTORS' REPORT

Directors' Interests
The interests of the Directors (held directly and indirectly), who held office at the date of approval of the financial statements, in the share capital of the Company are as follows:

Louis Coetzee and Tinus Maree are also Directors of Kibo Energy PLC, the Company's majority shareholder.

Ordinary Shares (held directly and indirectly)

Directors	21 May 2019	31 December 2018
Louis Coetzee	-	-
Louis Scheepers	-	-
Myles Campion	1,750,000	1,750,000
Paul Dudley	1,166,667	1,166,667
Tinus Maree	-	-

Share Options

Following the creation of a share option plan ("SOP") on 8 February 2019, as disclosed in the Company's re-admission Document in May 2017 and approved by the shareholders, the Board resolved to issue 14,944,783 new Ordinary Share options of £0.01 each in the capital of the Company ("Options") to the Board and Management of the Company. The Options constitute 10% of the Company's current issued share capital and were issued at a price of 1.3 pence each, being equal to the Company's most recent fundraising price. The Options have an expiry date of the seventh anniversary of the Date of Grant, with 50% vesting on issue and the remaining 50% vesting in one year. The number of Options held are set out below:

Directors	31 December 2018	21 May 2019	Options as % of current issued share capital
Louis Coetzee	-	4,782,330	3.0
Louis Scheepers	-	1,494,478	0.9
Myles Campion	-	2,391,165	1.5
Paul Dudley	-	2,391,165	1.5
Tinus Maree	-	2,391,165	1.5

For further detail surrounding the Ordinary Shares please refer to Note 9 of the Annual Financial Statements.

Directors Remuneration (Period to 31 December 2018)

Directors	31 December 2018	31 December 2017
Louis Coetzee	£18,000	-
Louis Scheepers	£18,000	-
Myles Campion	£19,321	-
Paul Dudley	£19,321	-
Tinus Maree	£18,000	-

As stated in the Company's admission document dated 5 May 2017, the Directors had agreed that salary or fees would only commence with effect from the date falling 18 months after the Company admitted to trading on AIM or earlier if a fundraise was undertaken. Directors' remuneration commenced on 1 July 2018, following completion of a placing undertaken by the Company in June 2018.

There have been no other contracts or arrangements of significance during the year ended 31 December 2018 in which Directors, or their related parties, were interested.

DIRECTORS' REPORT

Directors' Meetings
The Company held the following Board and Committee meetings during the reporting period and the number of meetings attended by each of the Directors of the Company during the year to 31 December 2018 were:

Name	Board Meeting	Audit Committee	Remuneration Committee
Louis Coetzee	15/15	-	-
Louis Scheepers	15/15	-	-
Myles Campion	15/15	1/1	1/1
Paul Dudley	15/15	1/1	1/1
Tinus Maree	15/15	1/1	1/1

The Company held no Nominations Committee meetings during the reporting period.

The Company held no Disclosure and AIM Rules Compliance Committee meeting during the reporting period, although the required topics in this regard were regularly discussed during Board meetings.

Significant Shareholdings
The Company has been informed that, in addition to the interests of the Directors, as at 31 December 2018 and as at the date of this report, the following shareholders own 3% or more beneficial interest, either direct or indirect, of the issued share capital of the Company, which is considered significant for disclosure purposes in the annual financial statements:

	Percentage of Issued Share Capital		
	21 May 2019	31 December 2018	31 December 2017
Kibo Energy PLC	56.7%	55.5%	56.7%
Pelamis Investments Limited	3.8%	4.1%	-
David Steinepreis	3.5%	3.7%	7.3%
Yakoub Yakoubov	3.1%	3.3%	-

Subsidiary Undertakings
Details of the Company's subsidiary undertakings are set out in Note 13 to the Annual Financial Statements.

Political Donations
During the period, the Group made no charitable or political contributions (2017: £ nil).

Going Concern
The Company and Group's ability to continue as a going concern is dependent on the sourcing of additional funding by the Directors for the foreseeable future. The future of the Company and the Group is dependent on the successful future outcome of its short and medium term ability to raise further funding and the successful development of its exploration interests and of the availability of further funding to bring these interests into production. The Directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. Consequently, they consider that it is appropriate to prepare the financial statements on the going concern basis.

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review and the below information, they are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future.

The Group currently generates no revenue and had net assets of £446,732 (£391,374) as at 31 December 2018.

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review and the below, they are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future.

Following receipt of the further monies from ABM, as detailed in the Chairman's Statement, the Group has a cash balance of approximately £248,000. Following receipt of these funds, the Company has sufficient funds to complete the current proposed work programme on the Haneti Project.

DIRECTORS' REPORT

In the event that the Company is not able to raise further funding, and before any mitigating actions are taken, the Company has sufficient funds for its present working capital requirements through to the end of September 2019. The Directors though continue to review the Group's options to secure additional funding for its general working capital requirements, alongside its ongoing review of potential acquisition targets and corporate development needs. The Directors are confident in this light that such funding will be available, although there is no guarantee as to the terms of such funding or that such funding will be available. In addition, any equity funding may be subject to shareholder approvals in line with legal and regulatory requirements as appropriate. As a result, the Directors continue to monitor and manage the Company's cash and overheads carefully in the best interests of its shareholders.

Whilst the Directors continue to consider it appropriate to prepare the financial statements on a going concern basis the above constitutes a material uncertainty that shareholders should be aware of.

Environmental responsibility
The Group recognises that its activities require it to have regard to the potential impact that it, its subsidiaries and partners may have on the environment. Where exploration and development works are carried out, care is taken to limit the amount of disturbance and where any remediation works are required they are carried out as and when required.

Dividends
There have been no dividends declared or paid during the current financial period (2017: £ nil).

Corporate Governance Policy
The Board is aware of the importance to conform to its statutory responsibilities and industry good practice in relation to corporate governance of the Group with effect from the 20 September 2018 the Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The Company's statement of compliance against the QCA code is set out on pages 8 to 10.

Role of Directors
All Board members ensure that appropriate governance procedures are adhered to and there is a clear division of responsibilities at Board level to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.

Board and Audit Committee meetings have been taking place periodically and the Executive Director manages the daily operations of the Group with Board meetings taking place on a regular basis throughout the financial period. During the current reporting period, the Board met 15 (fifteen) times and provided pertinent information to the Executive Committee of the Company, consisting of Louis Coetzee.

The Board is responsible for effective control over the affairs of the Company, including: strategic and policy decision-making financial control, risk management, communication with stakeholders, internal controls and the asset management process.

Although there was no specific committee tasked with identifying, analysing and reporting on risk during the financial period, this was nevertheless part of the everyday function of the Directors and was managed at Board level.

Directors are entitled, in consultation with the Chairman, to seek independent professional advice about the affairs of the Company, at the Company's expense.

Audit Committee
The Members of the Audit Committee are Paul Dudley, Myles Campion and Tinus Maree.

The Audit Committee has set out its roles and responsibilities within its terms of reference and ensured that it is aligned to good financial governance principles.

These include:

- the establishment of an Audit Committee to guide the audit approach, as well as its modus operandi and the rules that govern the audit relationship;
- assess the processes relating to and the results emanating from the Group's risk and control environment;
- monitoring the integrity of the Group's integrated reporting and all factors and risks that may impact on reporting;
- annually reviewing the expertise, appropriateness and experience of the finance function;

DIRECTORS' REPORT

- annually nominating the external auditors for appointment by the shareholders;
- reviewing developments in governance and best practice;
- foster and improve open communication and contact with relevant stakeholders of the Group; and
- assessing the external auditor's independence and determining their remuneration.

The Audit Committee further sets the principles for recommending the external auditors for non-audit services use.

The Committee met once during the current year as there was no need to review its strategy.

The details of the work of the Audit Committee were included in the Directors' Report.

Remuneration Committee
The members of the Remuneration Committee are Paul Dudley, Myles Campion and Tinus Maree.

The purpose of the Remuneration Committee is to discharge the responsibilities of the Board relating to all compensation, including equity compensation of the Company's executives. The remuneration committee establishes and administers the Company's executive remuneration with the broad objective of aligning executive remuneration with Company performance and shareholder interests, setting remuneration standards aimed at attracting, retaining and motivating the executive team, linking individual pay with operational and Company performance in relation to strategic objectives; and evaluating compensation of executives including approval of salary, equity and incentive-based awards.

The Committee is empowered by the Board to set short, medium and long-term remuneration for the Executive Directors. More generally, the Committee is responsible for the assessment and approval of a Board remuneration strategy for the Group.

The Committee met once during the current year as there was no need to review its strategy.

Nomination Committee
The members of the Nomination Committee are Paul Dudley, Myles Campion and Tinus Maree.

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, as well as succession planning, taking into account the skills and expertise that will be needed on the Board in the future.

The Committee did not meet during the current year as there was no need to review its strategy.

Disclosure and AIM Rules Compliance Committee
The members of the AIM Rules Compliance Committee are Paul Dudley and Louis Coetzee.

The role of the Disclosure and AIM Rules Compliance Committee is to oversee the Company's compliance with the AIM Rules and the Disclosure Guidance and Transparency Rules which require the Company to disclose, in the prescribed manner, as soon as possible, any inside information directly concerning the Company, unless an exemption from disclosure is available.

The Disclosure Committee is also, amongst other things, responsible for maintaining and monitoring the adequacy of procedures, systems and controls for the identification, treatment and disclosure of inside information and for complying with other disclosure obligations falling on the Company under the AIM Rules, the Market Abuse Regulation and Disclosure Guidance and Transparency Rules.

Internal Audit
The Company does not have an internal audit function. Currently the operations of the Group do not warrant an internal audit function, however the Board is assessing the need to establish an internal audit department considering future prospects as the Group's operations increase. During the period the Board has taken responsibility to ensure effective governance, risk management and that the internal control environment is maintained.

Health, Safety and Environmental Policy
The Group is committed to high standards of Health, Safety and Environmental performance across our business. Our goal is to protect people, minimise harm to the environment, integrate biodiversity considerations and reduce disruption to our neighbouring communities. We seek to achieve continuous improvement in our Health, Safety and Environmental performance.

DIRECTORS' REPORT

Corporate Social Responsibility Policy (CSR)
The Group's policy is to conduct all our business operations to best industry standards and to behave in a socially responsible manner. Our goal is to behave ethically and with integrity and to respect cultural, national and religious diversity.

Governance of IT
The Board is responsible for IT governance as an integral part of the Group's governance as a whole. The IT function is not expected to significantly change in the foreseeable future. The Board has the required policies and procedures in place to ensure governance of IT is adhered to.

Integrated and Sustainability Reporting
Integrated Reporting is defined as a "holistic and integrated representation of the Group's performance in terms of both its finances and its sustainability". The Group currently does not have a separate integrated report. The Board and its sub-committees are in the process of assessing the principles and practices of integrated reporting and sustainability reporting to ensure that adequate information about the operations of the Group, the sustainability issues pertinent to its business, the financial results and the results of its operations and cash flows are disclosed in a single report.

Statement of Directors' Responsibility
The Directors are responsible for preparing the Strategic Report, the Directors' 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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements 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 Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 transactions 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.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Katoro Gold PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

The Board
The Board is responsible for the supervision and control of the Company and is accountable to the shareholders. The Board has reserved decision-making on a variety of matters, including determining strategy for the Group, reviewing and monitoring executive management performance and monitoring risks and controls.

DIRECTORS' REPORT

The Board has five Directors, comprising of an Executive Director and four Non-executive Directors. The Board met formally on 15 (fifteen) occasions during the year ended 31 December 2018. An agenda and supporting documentation was circulated in advance of each meeting. All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry.

Auditors
The auditors, Crowe U.K. LLP, were re-appointed as the auditors of the Company at the last AGM and have indicated their willingness to continue in office in accordance with section s475 of the Companies Act 2006.

Annual General Meeting
Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary and special business will be given to the members separately.

Provision of information to auditors
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This report was approved by the Board on 22 May 2019 and signed on its behalf by:

Louis Coetzee
Chairman

INDEPENDENT AUDITORS REPORT

Opinion

We have audited the financial statements of Katoro Gold plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018, which comprise:

- Consolidated statement of comprehensive income for the year ended 31 December 2018;
- Consolidated and parent company statements of financial position as at 31 December 2018;
- Consolidated and parent company statements of changes in equity for the year then ended;
- Consolidated and parent company statements of cash flows for the year then ended; and
- the 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.

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 2018 and of the Group's loss for the year then ended;
- the consolidated 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 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 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, 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.

Material uncertainty related to going concern

We draw attention to page 29 to the financial statements, which details the factors the company has considered when assessing the going concern position. As detailed in the relevant note on page 29, the uncertainty surrounding the availability of funds to finance ongoing working capital requirements indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £25,000 (FY17 £160,000), based on 5% of the Group loss.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £1,250 (2017: £8,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

INDEPENDENT AUDITORS REPORT

Overview of the scope of our audit

There are six components of the Group: Katoro Gold Plc as the parent entity, Kibo Gold Limited, Reef Miners Limited, Savannah Mining Limited and the newly acquired Kibo Nickel Limited and its subsidiary Eagle Exploration Limited. The audit of Katoro Gold Plc was conducted from the UK. Besides the acquisition of Kibo Nickel, transactions are limited to administrative and professional fees, the support for which was provided to us by management.

We engaged member firms of the Crowe international network to undertake the audit work on the Cyprus and Tanzanian subsidiaries under our direction. Following discussions held at the planning stage, we issued instructions to the network firms that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported. Finally, we reviewed relevant working papers and discussed key findings.

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) that we identified. These matters included 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Acquisition of Kibo Nickel Limited During the period the group acquired Kibo Nickel Limited from its ultimate parent company. The transaction fell outside the scope of IFRS 3 and required management to select an appropriate accounting policy. When planning our audit we considered the risk that this material related party transaction was not disclosed properly, that the accounting policy selected was inappropriate and that the assets acquired were materially misstated.	*We obtained a copy of the sale and purchase agreement, the considerations given by the directors concerning the appropriateness of the transaction price and the legal advice obtained by the company. We reviewed the disclosure of the transaction to ensure it was consistent with our knowledge gained from this information.* *We considered the appropriateness of the accounting policy in line with IFRS guidance and ensuring that the policy selected reflected the commercial reality and therefore gave the most useful information to shareholders.* *As well as the information noted above we obtained evidence of legal title of the underlying mining licences and details of the geological evidence available concerning the prospect. When considering the valuation we also obtained evidence of the agreement entered into post year end with African Battery Metals as an additional source of evidence supporting the valuation.*

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

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.

INDEPENDENT AUDITORS REPORT

Opinion on other matter prescribed by the Companies Act 2006
In our opinion based on the work undertaken in the course of our 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 directors' report and strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their 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 where 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 the directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 17, 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 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. This description forms part of our auditor's report.

Use of our report
This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

M Stallabrass

Matthew Stallabrass (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
22 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		GROUP	
		31 December 2018	31 December 2017
		Audited	Audited
Continuing operations	**Note**	**£**	**£**
Revenue	2	-	-
Administrative expenses		(423,121)	(177,205)
Listing and Capital raising fees		-	(206,670)
Foreign exchange gain/(losses)		21,656	(36,005)
AIM IPO transaction costs		-	(556,935)
Exploration expenditure		(77,740)	(911,649)
Operating loss		(479,205)	(1,888,464)
		-	-
Loss on ordinary activities before tax		(479,205)	(1,888,464)
Taxation	5	-	-
Loss for the period		(479,205)	(1,888,464)
Other comprehensive loss:			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(13,070)	(15,212)
Other comprehensive loss for the period net of tax		(13,070)	(15,212)
Total comprehensive loss for the period		(492,275)	(1,903,676)
Loss for the period		(479,205)	(1,888,464)
Attributable to the owners of the parent		(479,205)	(1,888,464)
Total comprehensive loss for the period		(492,275)	(1,903,676)
Attributable to the owners of the parent		(492,275)	(1,903,676)
Loss Per Share			
Basic loss per share (pence)	6	(0.39)	(2.6)
Diluted loss per share (pence)	6	(0.39)	(2.6)

All activities derive from continuing operations. All profits and total comprehensive profit for the period are attributable to the owners of the Company.

The Group has no recognised gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes on pages 36 - 49 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:

On behalf of the Board

Louis Coetzee

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		GROUP	
		31 December 2018	31 December 2017
		Audited	Audited
	Note	**£**	£
Assets			
Non-Current Assets			
Intangible assets	7	209,500	-
		209,500	**-**
Current Assets			
Other receivables		-	1,818
Cash and cash equivalents	8	412,731	564,840
Total current assets		**412,731**	**566,658**
Total Assets		**622,231**	**566,658**
Equity and Liabilities			
Equity			
Called up share capital	9	1,494,478	1,082,833
Share premium account	9	2,186,406	2,050,418
Merger Reserve	11	1,271,715	1,271,715
Capital Contribution	11	10,528	10,528
Warrant reserve	10	41,808	41,808
Retained Earnings reserve		(4,102,371)	(3,623,166)
Translation Reserve	11	(455,832)	(442,762)
Total Equity		**446,732**	**391,374**
Liabilities			
Current Liabilities			
Trade and other payables	12	175,499	175,284
Total Current Liabilities		175,499	175,284
Total Equity and Liabilities		**622,231**	**566,658**

The accompanying notes on pages 36 - 49 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:

On behalf of the Board

Louis Coetzee

COMPANY STATEMENT OF FINANCIAL POSITION

		Company	
		31 December 2018	31 December 2017
		Audited	Audited
		£	£
Non-Current Assets			
Investments in group undertakings	13	987,109	1,761,014
Total Non- current assets		**987,109**	**1,761,014**
Current Assets			
Cash and cash equivalents	8	313,855	236,497
Total Current assets		**313,855**	**236,497**
Total Assets		**1,300,964**	**1,997,511**
Equity and Liabilities			
Equity			
Called up share capital	9	1,494,478	1,082,833
Share premium	9	2,186,406	2,050,418
Warrant Reserve	10	41,808	41,808
Retained deficit		(2,464,926)	(1,234,338)
Total Equity		**1,257,766**	**1,940,721**
Liabilities			
Current Liabilities			
Trade and other payables	12	43,198	56,790
Total liabilities		**43,198**	**56,790**
Total Equity and Liabilities		**1,300,964**	**1,997,511**

Equity includes a loss for the year of the parent company of £1,230,588 (2017: £723,227).

The accompanying notes on pages 36 - 49 form integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:

On behalf of the Board

Louis Coetzee

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share Capital	Share premium	Warrant reserve	Merger reserve	Foreign currency translation reserve	Capital contribution	Retained deficit	Total equity
	£	£	£	£	£	£	£	£
Balance as at 1 January 2018	**1,082,833**	**2,050,418**	**41,808**	**1,271,715**	**(442,762)**	**10,528**	**(3,623,166)**	**391,374**
Loss for the year	-	-	-	-	-	-	(479,205)	(479,205)
Other comprehensive loss	-	-	-	-	(13,070)	-	-	(13,070)
Issue of share capital	411,645	135,988	-	-	-	-	-	547,633
Balance as at 31 December 2018	**1,494,478**	**2,186,406**	**41,808**	**1,271,715**	**(455,832)**	**10,528**	**(4,102,371)**	**446,732**
Balance as at 1 January 2017	**172,500**	**918,631**	**-**	**(945,378)**	**(427,550)**	**10,528**	**(1,734,702)**	**(2,005,971)**
Loss for the year	-	-	-	-	-	-	(1,888,464)	(1,888,464)
Other comprehensive loss	-	-	-	-	(15,212)	-	-	(15,212)
Warrants	-	-	41,808	-	-	-	-	41,808
Issue of share capital	910,333	1,501,710	-	2,217,093	-	-	-	4,629,136
Share issue costs	-	(369,923)	-	-	-	-	-	(369,923)
Balance as at 31 December 2017	**1,082,833**	**2,050,418**	**41,808**	**1,271,715**	**(442,762)**	**10,528**	**(3,623,166)**	**391,374**
Note	9	9	10	11	11	11		

The notes on pages 36 - 49 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

COMPANY	Share capital	Share premium	Warrant reserve	Retained deficit	Total equity
	£	£	£	£	£
Balance at 1 January 2018	**1,082,833**	**2,050,418**	**41,808**	**(1,234,338)**	**1,940,721**
Loss for the year	-	-	-	(1,230,588)	(1,230,588)
Proceeds of issue of share capital	411,645	135,988	-	-	547,633
Balance at 31 December 2018	**1,494,478**	**2,186,406**	**41,808**	**(2,464,926)**	**1,257,766**
Balance at 1 January 2017	**172,500**	**918,631**	**-**	**(511,111)**	**580,020**
Loss for the year	-	-	-	(723,227)	(723,227)
Share options issued during the current period	-	-	41,808	-	41,808
Proceeds of issue of share capital	910,333	1,501,710	-	-	2,412,043
Share issue costs	-	(369,923)	-	-	(369,923)
Balance at 31 December 2017	**1,082,833**	**2,050,418**	**41,808**	**(1,234,338)**	**1,940,721**
Note	9	9	10		

The accompanying notes on pages 36 - 49 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		GROUP	
		31 December 2018	31 December 2017
		Audited	Audited
	Notes	£	£
Cash flows from operating activities			
Loss for the period before taxation		(479,205)	(1,888,464)
Adjustments for:			
Foreign exchange (gain)/ loss		(11,130)	36,005
Cost settled through the issue of shares		22,633	206,670
Deal cost settled in shares		-	155,539
(Decrease)/Increase in trade and other payables		215	261,898
(Decrease)/Increase in trade and other receivable		1,818	(1,818)
		(465,669)	**(1,230,170)**
Cash flows from financing activities			
Issue of shares (net of share issue cost)		313,000	1,318,345
Subsidiary cash acquired	14	560	465,408
Net cash proceeds from financing activities		**313,560**	**1,783,753**
Net cash flows		(152,109)	553,583
Cash and cash equivalents at the start of the financial period		564,840	11,257
Cash and cash equivalents at the end of the financial period		**412,731**	**564,840**

The accompanying notes on pages 36 - 49 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

		COMPANY	
		31 December 2018	**31 December 2017**
		Audited	**Audited**
	Notes	**£**	**£**
Cash flows from operating activities			
Loss for the period before taxation		(1,230,588)	(723,227)
Adjusted for:			
Impairment of investment in subsidiaries		1,044,915	-
Cost settled through the issue of shares		22,633	155,539
Foreign exchange gain		(59,010)	-
(Decrease)/ Increase in trade and other payables		(13,592)	(76,452)
Decrease/ (Increase) in trade and other receivables		-	115,641
Net cash flows from operating activities		**(235,642)**	**(528,499)**
Cash flows from financing activities			
Issue of shares (net of share issue cost)		313,000	1,318,345
Increase in loans advanced to related parties		-	(1,151,013)
Net cash proceeds from financing activities		**313,000**	167,332
Cash flows from investing activities			
Net (decrease)/increase in cash		**77,358**	**(361,167)**
Cash and cash equivalents at the start of the financial period		**236,497**	**597,664**
Cash and cash equivalents at the end of the financial period		**313,855**	**236,497**

The accompanying notes on pages 36 - 49 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Katoro Gold PLC ("Katoro" or "the Company") is a company incorporated in England & Wales as a public limited company. The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company's registered office is located at 60 Gracechurch Street, London EC3V 0HR.

The principal activities of the Group are related to the evaluation and exploration studies within a licenced portfolio area with a view to generating commercially viable mineral resources.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Company only Profit and Loss Account in these Financial Statements. The loss attributable to members of the Company for the year ended 31 December 2018 is £1,230,588 (2017: £723,227).

Going Concern

The Group currently generates no revenue and had net assets of £446,732 (£391,374) as at 31 December 2018.

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review and the below, they are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future.

Following receipt of the further monies from ABM, as detailed in the Chairman's Statement, the Group has a cash balance of approximately £248,000. Following receipt of these funds, the Company has sufficient funds to complete the current proposed work programme on the Haneti Project.

In the event that the Company is not able to raise further funding, and before any mitigating actions are taken, the Company has sufficient funds for its present working capital requirements through to the end of September 2019. The Directors though continue to review the Group's options to secure additional funding for its general working capital requirements, alongside its ongoing review of potential acquisition targets and corporate development needs. The Directors are confident in this light that such funding will be available, although there is no guarantee as to the terms of such funding or that such funding will be available. In addition, any equity funding may be subject to shareholder approvals in line with legal and regulatory requirements as appropriate. As a result, the Directors continue to monitor and manage the Company's cash and overheads carefully in the best interests of its shareholders.

Whilst the Directors continue to consider it appropriate to prepare the financial statements on a going concern basis the above constitutes a material uncertainty that shareholders should be aware of.

Based on the above, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

Statement of Compliance

As permitted by the European Union, the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with the Companies Act 2016.

The IFRS adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective at 31 December 2018.

Statement of Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, other than the adoption of IFRS 9 and IFRS 15 in the current financial period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Group and Company financial statements are prepared on the historical cost basis. The accounting policies have been applied consistently by Group entities, except for the adoption of new standards and interpretations which became effective in the current year. The Group and Company financial statements have been prepared on a going concern basis as explained in the notes to the financial statements.

The individual financial information of each Group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial information of the Group is presented in Pounds Sterling, which is the presentation currency for the Group. The functional currency of each of the Group entities is the local currency of each individual entity.

Use of Estimates and Judgements

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, there are significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements in the following areas:

- Exploration and evaluation expenditure;
- Acquisition accounting; and
- Valuation of mining licence in Kibo Nickel Limited

Exploration and evaluation expenditure – significant judgement concerning the choice of accounting policy
In line with the Groups accounting policy, all the exploration and evaluation expenditure has been charged to profit or loss, as in the judgement of the Directors the commercial viability of the mineral deposits had not been established. If a policy of capitalisation of exploration expenditure had been adopted an amount of £77,740 would have been capitalised in the current year (2017: £911,649).

Acquisition accounting – significant judgement concerning the choice of accounting policy
Where acquisitions do not meet the definition of a business combination under IFRS 3, management is required to develop a specific policy to account for these acquisitions. As described in note 14 the acquisition of Kibo Nickel does not meet the definition of a business combination under IFRS 3, management have therefore had to determine an appropriate accounting policy. This has therefore been accounted for as an asset acquisition and the fair value of assets and liabilities acquired recognised on balance sheet. Management has determined that this accounting policy more faithfully reflects the underlying commercial substance of the transaction and therefore provides the most useful information to shareholders.

Valuation of mining licence in Kibo Nickel Limited – significant estimate concerning valuation
On the acquisition of Kibo Nickel the principal asset acquired was a mining licence for a prospective nickel sulphide asset where previous work had identified grades of up to 13.59% nickel. The asset is considered to be unique and a fair market price is not easily obtainable. The overall value of the transaction, however, was separately reviewed by the independent directors, as announced to the market on 22 June 2018. Given this management have applied the provisions within IFRS 2 to value the asset based on the fair value of the instruments granted. As disclosed in note 14 this assessment is considered to be provisional and may be subject to revision in the next financial year.

Exploration & Evaluation Assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Exploration and evaluation expenditure is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised:

In respect of minerals activities:
- the exploration and evaluation activity is within an area of interest which was previously acquired as an asset acquisition or in a business combination and measured at fair value on acquisition; or
- the existence of a commercially viable mineral deposit has been established.

At each reporting period end the capitalisation criteria had not been met due to the existence of a commercially viable mineral deposit not being established and therefore no exploration and evaluation assets have been recognised.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible.

Intangible assets all relate to exploration and evaluation expenditure which are carried at cost with an indefinite useful life and therefore are reviewed for impairment annually and when there are indicators of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned.

Consolidation

The consolidated financial statements comprise the financial statements of Katoro Gold PLC and its subsidiaries for the year ended 31 December 2018, over which the Company has control.

Control is achieved when the Company:
- has the power over the investee;
- is exposed, or has rights, to variance return 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 circumstance indicate that there are changes to one or more of the three elements of control listed above.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intragroup balances and any unrealised gains or losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements, except to the extent they provide evidence of impairment.

Intangible Assets

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and it is subsequently carried at cost less accumulated impairment losses. Intangible assets comprise the acquisition of rights to explore in relation to the Group's exploration and evaluation activities. Intangible assets comprise fair value allocated to exploration projects purchased through business combination for which no useful life has been accurately determined.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Irrespective of whether there is any indication of impairment, the Group also tests intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

Impairment

Non-financial assets
Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are made more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currencies

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"). The consolidated financial statements are presented in Pound Sterling, which is the Group's presentation currency. This is also the functional currency of the Group and Company and is considered by the Board also to be appropriate for the purposes of preparing the Group financial statements.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities for each Statement of Financial Position presented are presented at the closing rate at the date of that Statement of Financial Position. Non-monetary items are measured at the exchange rate in effect at the historical transaction date and are not translated at each Statement of Financial Position date;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction): and
- All resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Issue Expenses and Share Premium Account

Issue expenses are written off against the premium arising on the issue of share capital.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Financial Instruments

Recognition
Financial instruments comprise loans receivable, trade and other receivables, cash and cash equivalents, trade and other payables, other financial liabilities and bank overdrafts.

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification
The group classifies financial assets on initial recognition as measured at amortised cost as the group's business model and objective is to hold the financial asset in order to collect the contractual cash flow and the contractual terms allows for cash flows on specified dates for the payment of the principal amounts outstanding.

Financial liabilities are classified at amortised cost.

Financial assets	**Classification in 2018 (IFRS 9)**	**Classification in 2017 (IAS 32)**
Loans to Group Companies	Financial assets at amortised cost	Loans and receivables at amortised cost
Trade and other receivables	Financial assets at amortised cost	Loans and receivables at amortised cost
Cash and Cash Equivalents	Financial assets at amortised cost	Loans and receivables at amortised cost

Financial liabilities	**Classification in 2018 (IFRS 9)**	**Classification in 2017 (IAS 32)**
Loans from Group Companies	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Bank overdraft	Financial liabilities at amortised cost	Financial liabilities at amortised cost

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

Measurement on Initial recognition
All financial assets and liabilities are initially measured at fair value, including transaction costs.

Subsequent measurement
Financial assets held at amortised cost are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

De-recognition
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

On de-recognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Impairment of Financial Assets not carried at Fair value – IFRS 9
Under IFRS 9 the group calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses.

To calculate ECLs the group groups trade receivables and loans to group companies by customer type and ageing. The group applies the simplified approach to determine the ECL for trade receivables loans to group companies. This results in calculating lifetime expected credit losses for trade receivables and loans to group companies. ECLs for trade receivables is calculated using a provision matrix.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of Financial Assets not carried at Fair value – IAS 39
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows for that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit or loss.

Warrant reserves

For such grants of share options or warrants qualifying as equity-settled share based payments, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options or warrants were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options or warrants that are likely to vest, except where forfeiture is only due to market based conditions not achieving the threshold for vesting.

Share capital

Share capital is determined using the nominal value of the shares that have been issued. The share premium account includes any premium on the initial issuing of share capital. Any transaction costs associated with the issue of shares are deducted from the share premium account.

Segment reporting

The group determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker. A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of the other segments. The group's primary format for segment reporting is based on business segments. The business segments are determined based on the reporting business units.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NEW STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective. In some cases these standards and guidance have not been endorsed for use in the European Union.

Standard	Effective date, annual period beginning on or after
IFRS 16 Leases IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.	1 January 2019

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, as the Group has no significant leases in excess of a 12 month period.

The Group expects to adopt all relevant standards and interpretations as and when they become effective.

Standards and interpretations which are effective in the current period (Changes in accounting policies):

The Group has adopted all new accounting standards that became effective in the current reporting period. IFRS 9 Financial Instruments (IFRS 9) is the only new standard which is applicable to the Groups operations at this stage.

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for:

- the classification, measurement and de-recognition of financial assets and financial liabilities;
- the impairment of financial assets and financial liabilities; and
- general hedge accounting.

Classification, measurement and de-recognition
There has been no change in the classification of the company's financial assets and financial liabilities.

Impairment model
IFRS 9 introduces an expected credit loss model as opposed to an incurred credit loss approach in recognising any impairment of financial assets. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Financial impact
The Group has adopted the modified retrospective approach in applying IFRS 9 whereby no comparative figures are restated but instead, a cumulative catch up adjustment is recognised, if necessary, in opening retained earnings.

Other than disclosure, the above change in accounting policy has not resulted in a material difference for the year ended 31 December 2018 by performing the 2018 allowance calculation based on the IFRS 9 requirements and consequently the opening retained earnings has not been adjusted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Segment analysis

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Chief Operating decision maker. The Chief Executive Officer is the Chief Operating decision maker of the Group.

Management currently identifies two divisions as operating segments – Mining (Sub-holding company and operating entities) and Corporate (Ultimate Holding Company) . These operating segments are monitored and strategic decisions are made based upon them together with other non-financial data collated from exploration activities. Principal activities for these operating segments are as follows:

2018 Group	**Mining and Exploration Group**	**Corporate Group**	**31 December 2018 (£) Group**
Administrative cost	(166,439)	(256,682)	(423,121)
Exploration expenditure	(77,740)	-	(77,740)
Foreign exchange gain/(losses)	21,656	-	21,656
Profit/ (Loss) after tax	**(222,523)**	**(256,682)**	**(479,205)**

2017 Group	**Mining and Exploration Group**	**Corporate Group**	**31 December 2017 (£) Group**
Administrative cost	(217,583)	(723,227)	(940,810)
Exploration expenditure	(911,649)	-	(911,649)
Foreign exchange gain/(losses)	(36,005)	-	(36,005)
Profit/ (Loss) after tax	**(1,165,237)**	**(723,227)**	**(1,888,464)**

2018 Group	**Mining Group**	**Corporate Group**	**31 December 2018 (£) Group**
Assets	308,376	313,855	622,231
Segment assets			
Liabilities			
Segment liabilities	132,301	43,198	175,499

2017 Group	**Mining Group**	**Corporate Group**	**31 December 2017 (£) Group**
Assets			
Segment assets	330,161	236,497	566,658
Liabilities			
Segment liabilities	132,669	42,615	175,284

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Geographical segments
The Group operates in three principal geographical areas – United Kingdom, Cyprus and Tanzania.

	Tanzania (£)	Cyprus (£)	United Kingdom (£)	Total 31 December (£)
2018				
Major Operational indicators				
Carrying value of segmented assets	236,989	71,387	313,855	622,231
Loss after tax	(98,399)	(124,124)	(256,682)	(479,205)

	Tanzania (£)	Cyprus (£)	United Kingdom (£)	Total 31 December (£)
2017				
Major Operational indicators				
Carrying value of segmented assets	1,818	-	564,840	566,658
Loss after tax	(1,078,685)	(175,497)	(634,282)	(1,888,464)

2. Revenue

The Group did not generate any revenue during the period 1 January 2018 to 31 December 2018.

3. Employee information (Including Directors)

	Group 31 December 2018 (£)	Group 31 December 2017 (£)	Company 31 December 2018 (£)	Company 31 December 2017 (£)
Wages and salaries – paid by parent company	26,501	-	26,501	-
Wages and salaries – paid by subsidiary companies	54,000	-	54,000	-
Social security costs	12,141	-	12,141	-

The average monthly number of employees (including executive Directors) during the period was as follows:

	Group 31 December 2018 (£)	Group 31 December 2017 (£)	Company 31 December 2018 (£)	Company 31 December 2017 (£)
Directors	5	4	5	4
Management	-	-	-	-
Employees	-	-	-	-
	5	**4**	**5**	**4**

Total remuneration of key management personnel (Directors and key senior personnel) is £26,501 (2017: £nil).

	Group 31 December 2018 (£)	Group 31 December 2017 (£)	Company 31 December 2018 (£)	Company 31 December 2017 (£)
Short-term benefits	26,501	-	26,501	-
	26,501	**-**	**26,501**	**-**

No Director received emoluments more than £250,000 (2017:nil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Auditors remuneration

	Group 31 December 2018 (£)	Group 31 December 2017 (£)	Company 31 December 2018 (£)	Company 31 December 2017 (£)
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	15,000	15,000	-	-
Fees payable to the Group's auditors for the audit of the Company and subsidiary annual financial statements	31,266	-	23,065	12,000
	46,266	**15,000**	**23,065**	**10,000**

Included in auditors remuneration are fees of £2,000 paid to the auditors in respect of non-audit services performed for the Group.

5. Taxation

Current tax

	31 December 2018 (£)	31 December 2017 (£)
UK corporation tax based on the results for the period at 20% (2017: 20%)	-	-
	-	-

	2018 (£)	2017 (£)
Loss on ordinary activities before tax	**(479,205)**	(1,888,464)
Income tax expense calculated at 20% (2017: 20%)	**(95,841)**	(377,693)
Expenses which are not deductible	95,841	377,693
Income tax expense recognised in the Statement of Comprehensive Income	**-**	**-**

No provision has been made for the 2018 deferred taxation as no taxable income has been received to date, and the probability of future taxable income is indicative of current market conditions which remain uncertain.

At the Statement of Financial Position date, the Directors estimate that the Group has unused tax losses of £1,561,587 (2017: £1,234,338) available for potential offset against future profits.

Losses may be carried forward indefinitely in accordance with the applicable taxation regulations ruling within each of the above jurisdictions.

6. Loss per share

Basic loss per share

The basic loss and weighted average number of ordinary shares used for calculation purposes comprise the following:

Basic Loss per share	31 December 2018 (£)	31 December 2017 (£)
Loss for the period attributable to equity holders of the parent	(479,205)	(1,888,464)
Weighted average number of ordinary shares for the purposes of basic loss per share	122,411,677	72,618,218
Basic loss per ordinary share (pence)	(0.39)	(2.6)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Katoro has no dilutive instruments in existence as at year end. The Company had in issue warrants as at 31 December 2017 and 2018, though the inclusion of such warrants in the weighted average number of shares in issue in 2017 and 2018 would be anti-dilutive and therefore they have not been included for the purpose of calculating the loss per share.

7. Exploration and evaluation assets

Exploration and evaluation assets consist solely of separately identifiable prospecting assets acquired during the current financial period as part of the acquisition of Kibo Nickel and its subsidiaries (refer to note 14 for more detail on this acquisition).

The following reconciliation serves to summarise the composition of intangible prospecting assets as at period end:

Reconciliation of exploration and evaluation assets

	Haneti (£)
Carrying value as at 1 January 2017	**-**
Acquisition of prospecting licences	-
Impairment of licences	-
Carrying value as at 1 January 2018	**-**
Acquisition of prospecting licences (Haneti)	209,500
Impairment of licences	-
Carrying value as at 31 December 2018	**209,500**

Exploration and evaluation assets are not amortised, due to the indefinite useful life which is attached to the underlying prospecting rights, until such time that active mining operations commence, which will result in the exploration and evaluation asset being amortised over the useful life of the relevant mining licences.

Exploration and evaluation assets with an indefinite useful life are assessed for impairment on an annual basis, against the prospective fair value of the exploration and evaluation asset. The valuation of exploration and evaluation assets with an indefinite useful life is reassessed on an annual basis through valuation techniques applicable to the nature of the exploration and evaluation assets.

In assessing whether a write-down is required in the carrying value of a potentially impaired exploration and evaluation asset, the asset's carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The valuation techniques applicable to the valuation of the abovementioned exploration and evaluation assets comprise a combination of fair market values, discounted cash flow projections and historic transaction prices.

The following key assumptions influence the measurement of the exploration and evaluation assets recoverable amounts, through utilising the value in use method in order to determine the recoverable amount:

- Comparable market value of similar mineral statements;
- Currency fluctuations and exchange movements;
- Expected growth rates;
- Cost of capital related to funding requirements;
- Applicable discounts rates;
- Future operating expenditure for extraction and mining of measured mineral resources; and
- Co-operation of key project partners going forward.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Management have considered indicators of impairment in relation to the exploration and evaluation assets and have not identified any existing as at period end. The following factors were considered by management:

- The period for the entity has the right to explore in the specific area;
- Substantive expenditure required on further exploration for and evaluation of mineral resources in the specific area which is neither budgeted nor planned;
- Whether the exploration for and evaluation of mineral resources in the specific area 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
- 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.

Haneti comprises tenements (prospecting licences, offers and applications) prospective for nickel, platinum-group-elements and gold. It covers an area of approximately 5,000 sq. km in central Tanzania and forms a near contiguous project block. The project area straddles the Dodoma, Kondoa and Manyoni districts all within the Dodoma (Administrative) Region. The main prospective belt of rocks within the project, the Haneti-Itiso Ultramafic Complex (HIUC), is centred on the small town of Haneti, located 88 kilometres north of Tanzania's capital city Dodoma . The HIUC sporadically crops out over a strike length of 80 kilometres with most outcrop exposure occurring 15 kilometres east of Haneti village where artisanal mining of the sem-precious mineral chrysoprase (nickel stained chalcedonic quartz) is being carried out at a few localities.

8. Cash and cash equivalents

Cash consists of:	Group (£) 2018	Group (£) 2017	Company (£) 2018	Company (£) 2017
Cash at bank and in hand	412,731	564,480	313,855	236,497
	412,731	**564,480**	**313,855**	**236,497**

Cash and cash equivalents have not been ceded, or placed as encumbrance toward any liabilities as at year end.

9. Share capital - Group and Company

The called-up and fully paid share capital of the Company is as follows:

	2018	2017
Allotted, issued and fully paid shares		
149,447,825 (2017: 108,283,332 Ordinary shares of £0.01 each)	£1,494,478	£1,082,833
	£1,494,478	**£1,082,833**

	Number of Shares	Ordinary Share Capital (£)	Share Premium (£)
Balance at 31 December 2016	**17,250,000**	**172,500**	**918,631**
Shares issued during the period	91,033,332	910,333	1,131,787
Balance at 31 December 2017	**108,283,332**	**1,082,833**	**2,050,418**
Shares issued during the period	41,164,493	411,645	135,988
Balance at 31 December 2018	**149,447,825**	**1,494,478**	**2,186,406**

All ordinary shares issued have the right to vote, right to receive dividends, a copy of the annual report, and the right to transfer ownership of their shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

A summary of the shares issued is as follows:

	Number of shares	Share capital (£)	Share premium (£)	Total (£)
Shares issued for settlement of expenditure	779,878	7,799	14,834	22,633
Placing shares	25,000,000	250,000	75,000	325,000
Consideration shares	15,384,615	153,846	46,154	200,000
	41,164,493	**411,645**	**135,988**	**547,633**

10. Warrants reserve

Following the Company's admission to trading on the AIM market of London Stock Exchange, the Company issued warrants over 1,208,333 Ordinary Shares as follows:

- As part of Beaufort's (Beaufort Securities Limited, the former broker to the Group) fees in respect of the Placing, the Company issued 1,208,333 warrants in respect of 1,208,333 Ordinary Shares, exercisable at the issue price. Each warrant shall entitle Beaufort to subscribe for one new Ordinary Share and shall be exercisable at the Placing Price for up to five years.

The fair value of the warrants issued have been determined using the Black-Scholes option pricing model. The fair value at the date of grant per warrant was £0.06. The fair value of the warrants issued has been charged to the share premium account, as the warrants were issued for services directly related to the issue of shares, the resulting charge is £41,808.

The following reconciliation serves to summarise the composition of the warrant reserve as at period end:

	Group (£)	
	2018	**2017**
Opening balance of warrant reserve	41,808	-
Issue of share options and warrants	-	41,808
	41,808	**41,808**

The inputs to the Black-Scholes model were as follows:

Description of key input	**Quantum**
Warrants granted	1,208,333
Stock price	6p
Exercise price	6p
Risk free rate	0.1%
Volatility	70%
Time to maturity	5 years

11. Reserves

Share premium
The share premium account includes any premium on the initial issuing of share capital. Any transaction costs associated with the issue of shares are deducted from the share premium account.

Translation reserve
The translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group Financial Information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Capital contribution reserve
During the year ended 31 December 2014, Kibo Gold converted a balance of £7,226 owed to Kibo Energy PLC into equity as there were no repayment terms. During the year ended 31 December 2015 an additional amount of £3,302 was converted to equity.

Merger reserve
The introduction of the new holding company has been accounted for as a capital reorganisation using merger accounting principles. The use of merger accounting principles has resulted in a balance on Group capital and reserves that have been classified as a merger reserve and included in the Group's shareholders' funds.

12. Trade and other payables

	Group 2018 (£)	Group 2017 (£)	Company 2018 (£)	Company 2017 (£)
Amounts falling due within one year:				
Trade payables	135,461	70,926	28,198	42,572
Accruals	40,038	104,322	15,000	14,218
	175,499	**175,248**	**43,198**	**56,790**

The carrying value of current trade and other payables equals their fair value due mainly to the short term nature of these payables.

13. Investment in subsidiaries

	Subsidiary undertakings (£)
Investments at Cost	
At 1 January 2017	-
Additions	610,000
Advances to subsidiaries	1,151,014
At 31 December 2017 (£)	**1,761,014**
Additions (capitalised acquisition cost of Haneti Project)	200,000
Advances to subsidiaries	71,010
Provision for impairment	(1,044,915)
At 31 December 2018 (£)	**987,109**

The above investment in subsidiaries comprises the carrying value of the investments in Kibo Gold Ltd and Kibo Nickel Ltd, as well as the capital contributions, net of impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 December 2018 the Company had the following undertakings:

Description	Subsidiary, associate or Joint Venture	Registered address	Activity	Incorporated in	Interest held (2018)	Interest held (2017)
Directly held subsidiaries						
Kibo Gold Limited	Subsidiary	Kolonakiou,57 Ag. Athanasios 4103, Limassol Cyprus	Holding Company	Cyprus	100%	100%
Kibo Nickel Limited	Subsidiary	Kolonakiou,57 Ag. Athanasios 4103, Limassol Cyprus	Holding Company	Cyprus	100%	-
Indirectly held subsidiaries						
Savannah Mining Limited	Subsidiary	Amani Place 10th Floor, Wing A Ohio Street Dar es Salaam Tanzania	Mineral Exploration	Tanzania	100%	100%
Reef Miners Limited	Subsidiary	Amani Place 10th Floor, Wing A Ohio Street Dar es Salaam Tanzania	Mineral Exploration	Tanzania	100%	100%
Eagle Exploration Limited	Subsidiary	Amani Place 10th Floor, Wing A Ohio Street Dar es Salaam Tanzania	Mineral Exploration	Tanzania	100%	-

The value of the investments is dependent on the discovery and successful development of evaluation and exploration assets. Taking into account the slow progress in furthering the development, and continued resistance from the Tanzanian Government on the growth of foreign – owned Gold Mining entities, management believe that the partial value of the Lake Victoria Gold project, which constitutes a substantial portion of the value of the investment in Kibo Gold Limited, will not be realistically realised in the foreseeable future, and an impairment of £1,044,915 has been provided against this investment. Should the development of the evaluation and exploration assets prove unsuccessful, the carrying value in the statement of financial position will be written off. In the opinion of the Directors' the carrying value of the investments is appropriate.

14. Acquisition of subsidiary

On 22 June 2018, the Company entered into an agreement to acquire the entire interest held ("100%") in Kibo Nickel Group (Kibo Nickel Limited and its subsidiary Eagle Exploration Limited) from Kibo Mining Cyprus Limited, an existing subsidiary of Kibo Energy PLC. The acquisition price of £200,000 was settled through the issue of 15,384,615 ordinary shares in Katoro together with a 2% royalty payable on any sales revenue (less transportation and refining costs) in respect to nickel or nickel concentrates, thus making the acquisition a significant non-cash transaction. As the project is at a very early stage, the royalty liability cannot be measured reliably and is not recognised in the accounts.

The assets were acquired from the parent company, thus the transaction is considered a common control transaction. As described in the Summary of significant accounting policies on page 28, management applied the provisions of IFRS 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

In accordance with *IFRS 3: Business Combinations*, Kibo Nickel, an entity which does not have processes, input and output, cannot be defined as a business. Thus, as Kibo Nickel is not a business as defined in accordance with IFRS 3, the acquisition method as prescribed by IFRS 3 would not be applicable. As a result, the acquisition was classified as an asset acquisition. The management consider the asset to be unique and hence a fair market price is not easily obtainable. On this basis the management used the provisions within IFRS 2 to value it based on the fair value of the instruments granted.

The following table provides detail relating to the acquisition:

	2018 (£)
Fair value of exploration licenses acquired	209,500
Cash and cash equivalents	560
Trade and other payables	(10,060)
Net assets acquired	**200,000**

A comparison of the book value and fair value of the assets and liabilities acquired is presented below:

Description	**Book value**	**Fair value**
Exploration licences acquired	-	209,500
Cash and cash equivalents	560	560
Trade and other payables	(10,060)	(10,060)
Net (liabilities)/assets	**(9,500)**	**200,000**

The intangible asset has been recognised at a provisional fair value as management have not completed their assessment as at 31 December 2018.

15. Related parties

Relationships

Name	**Relationship**
Kibo Energy PLC	Ultimate parent company
Mzuri Exploration Services Limited	Common shareholding

Balances and transactions

Name	**Amount (£) 2018**	**Amount (£) 2017**
Mzuri Exploration Services Limited	103,500	85,081

Related parties of the Group comprise subsidiaries, significant shareholders, and the Directors.

The ultimate controlling party is Kibo Energy PLC, and no single party controls Kibo Energy PLC.

The acquisition of Kibo Nickel Limited and its subsidiary, discussed in Note 14, is a related party transaction as the ultimate holding company of these entities before the acquisition was Kibo Energy PLC, the ultimate controlling party of Katoro.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The transactions during the period between the Company and its subsidiaries included the settlement of expenditure to/from subsidiaries, working capital funding, and settlement of the Company's liabilities through the issue of equity in subsidiaries. The loans to/from Group companies do not have fixed repayment terms and are unsecured.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Financial Instruments and Financial Risk Management

The Group and Company's principal financial instruments comprises cash. The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the 2018 and 2017 financial period, the Group and Company's policy not to undertake trading in derivatives.

The main risks arising from the Group and Company's financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and capital risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

	2018 (£)		2017(£)	
Financial instruments of the Group are:	**Loans at amortised cost**	**Financial liabilities at amortised cost**	**Loans at amortised cost**	**Financial liabilities at amortised cost**
Financial assets				
Trade and other receivables	-	-	1,818	-
Cash and cash equivalents	412,731	-	564,840	-
Financial liabilities				
Trade payables	-	175,499	-	175,284

	2018 (£)		2017(£)	
Financial instruments of the Company are:	**Loans at amortised cost**	**Financial liabilities at amortised cost**	**Loans at amortised cost**	**Financial liabilities at amortised cost**
Financial assets				
Cash and cash equivalents	313,855	-	236,497	-
Financial liabilities				
Trade payables	-	43,198	-	56,790

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currencies and exposures to exchange rate fluctuations therefore arise. Exchange rate exposures are managed by continuously reviewing exchange rate movements in the relevant foreign currencies. The exposure to exchange rate fluctuations is limited as the Company's subsidiaries operate mainly with Sterling, Euros, US Dollar and Tanzanian Shillings.

At the period ended 31 December 2018, the Group had no outstanding forward exchange contracts.

There was no material exposure to foreign currencies at 31 December 2018.

Exchange rates used for conversion of foreign subsidiaries undertakings were:

	2018	2017
USD to GBP (Spot)	0.78711	0.74108
USD to GBP (Average)	0.74994	0.77649
EURO to GBP (Spot)	0.90053	0.88773
EURO to GBP (Average)	0.88481	0.87638

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The Executive Chairman of the Group monitor the Group's exposure to the concentration of fair value estimation risk on a monthly basis.

Credit risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. As the Group does not, as yet, have any sales to third parties, this risk is limited.

The Group and Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group and Company's exposure to credit risk arise from default of its counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents in its consolidated statement of financial position.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected or related entities.

Financial assets exposed to credit risk at period end were as follows:

Financial instruments	**Group (£)**		**Company (£)**	
	2018	**2017**	**2018**	**2017**
Trade & other receivables	-	1,818	-	-
Cash	412,731	564,840	313,855	236,497

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group and Company's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group.

The Group and Company's financial liabilities as at 31 December 2018 were all payable on demand, other than the trade payables to other Group undertakings.

Group (£)	**Less than 1 year**	**Greater than 1 year**
At 31 December 2018		
Trade and other payables	175,499	-
At 31 December 2017		
Trade and other payables	175,284	-
Company (£)		
At 31 December 2018		
Trade and other payables	43,198	-
At 31 December 2017		
Trade and other payables	56,790	-

Interest rate risk
The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's holdings of cash and short term deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

It is the Group and Company's policy as part of its management of the budgetary process to place surplus funds on short term deposit in order to maximise interest earned.

Group Sensitivity Analysis:

Currently no significant impact exists due to possible interest rate changes on the Company's interest bearing instruments.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the period ended 31 December 2018. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity.

Fair values

The carrying amount of the Group and Company's financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair value.

Hedging

At 31 December 2018, the Group had no outstanding contracts designated as hedges.

17. Events after the reporting period

Issue of share options and fee shares

The Company issued 14,944,783 new Ordinary Share options of £0.01 each in the capital of the Company ("Options") to the Board and Management of the Company during February 2019. The Options constituted 10% of the Company's issued share capital at the time of issue, and were issued at a price of 1.3 pence each. The Options have an expiry date of the seventh anniversary of the date of grant, with 50% vesting on issue and the remaining 50% vesting in one year.

The Company also agreed to issue 7,958,575 new Ordinary Shares to Mzuri Exploration Services Ltd ("MXS") (the "MXS Fee Shares") during February 2019 for services provided to the Company. The Board resolved, in order to conserve cash, to settle all outstanding fees accrued up to 31 December 2018, which amounted to approximately £103,500 through the issue of the MXS Fee Shares at a price of 1.3 pence each.

The Company also issued 556,077 new Ordinary Shares to Pieter Krugel, the Company's financial controller, in lieu of overtime for his ongoing services provided to the Company at a price of 1.3 pence each.

Investment and Option Agreement with African Battery Metals PLC ("ABM")

ABM, the AIM quoted battery metal exploration and development company, acquired an interest in Katoro and entered into an option agreement (the "Option") with Katoro to acquire an interest in the Haneti Project during March 2019. Following the recent exercise of the option, ABM has invested £100,000 and acquired 10 million new Ordinary Shares, together with 10 million warrants over Ordinary Shares, and a 25% interest in the Haneti Project. Pursuant to the agreement, ABM has the ability to acquire a further 10% of Haneti for a further £25,000.

18. Commitments and Contingencies

The Group does not have identifiable material contingencies or commitments as at the reporting date. Any contingent rental is expensed in the period in which it is incurred.