



**KATORO GOLD PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2019**

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**CORPORATE DIRECTORY**

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|------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| BOARD OF DIRECTORS:          | Louis Coetzee<br>Louis Scheepers<br>Myles Campion<br>Paul Dudley<br>Lukas Maree                                 | Chairman (Executive)<br>Non-executive director<br>Non-executive director<br>Non-executive director<br>Non-executive director |
| COMPANY SECRETARY:           | Ben Harber<br>Shakespeare Martineau LLP<br>6 <sup>th</sup> Floor<br>60 Gracechurch Street<br>London<br>EC3V OHR |                                                                                                                              |
| REGISTERED OFFICE:           | 6 <sup>th</sup> Floor<br>60 Gracechurch Street<br>London<br>EC3V OHR                                            |                                                                                                                              |
| BUSINESS ADDRESS - UK:       | 6 <sup>th</sup> Floor<br>60 Gracechurch Street<br>London<br>EC3V OHR                                            |                                                                                                                              |
| BUSINESS ADDRESS - CYPRUS:   | Kolonakiou 57<br>Ag. Athanasios<br>4103, Limassol<br>Cyprus                                                     |                                                                                                                              |
| BUSINESS ADDRESS - TANZANIA: | Golden Heights,<br>Chole Road,<br>Msasani Peninsula,<br>Dar es Salaam, Tanzania                                 |                                                                                                                              |
| AUDITORS:                    | Crowe U.K. LLP<br>St Bride's House<br>10 Salisbury Square<br>London<br>EC4Y 8EH                                 |                                                                                                                              |
| STOCK EXCHANGE LISTING:      | London Stock Exchange: AIM (Share code: KAT)                                                                    |                                                                                                                              |
| SHARE REGISTRARS:            | Link Market Services<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU                       |                                                                                                                              |
| PRINCIPAL BANKERS:           | Barclays Bank Plc<br>Priory Place<br>Level 3 New London Road<br>Chelmsford<br>Essex<br>CM2 0PP                  |                                                                                                                              |
| BROKER:                      | SI Capital Ltd<br>46 Bridge Street<br>Godalming<br>GU7 1HL                                                      |                                                                                                                              |

**CORPORATE DIRECTORY**

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|------------------------|-----------------------------------------------------------------------------------------------------|
| SOLICITORS:            | <b><i>As to English Law:</i></b><br>Druces LLP<br>Salisbury House<br>London Wall<br>London EC2M 5PS |
| NOMINATED ADVISER:     | RFC Ambrian Limited<br>Octagon Point<br>5 Cheapside<br>London EC2V 6AA                              |
| WEBSITE:               | <a href="http://www.katorogold.com">www.katorogold.com</a>                                          |
| DATE OF INCORPORATION: | 11 November 2014                                                                                    |
| COMPANY NUMBER:        | 09306219                                                                                            |

## CHAIRMAN'S REPORT

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2019 was a year of strategic partnerships and project consolidation that saw Katoro Gold PLC (the "Company" or "Katoro") create a solid baseline for strong growth and value creation for shareholders.

### *Haneti Nickel Project, Tanzania*

The 5,000 sq. km polymetallic Haneti Nickel Project in Tanzania is a highly prospective, high-grade nickel sulphide asset. Previous work, totalling approximately US\$1.5 million, has identified grades of up to 13.59% nickel with additional gold, cobalt, platinum credits and some significant lithium anomalies.

In early 2019, the Company undertook a complete desktop review and analysis of all historic work undertaken on the project, which identified several new high priority exploration targets. Based on the results of this analysis a new exploration work programme was undertaken.

In March 2019 the company entered into an option agreement with Power Metal Resources (AIM:POW) (previously known as African Battery Metals PLC (AIM:ABM)) to acquire an initial 25% interest in the Haneti Nickel Project, with an option to acquire a further 10% interest, totalling 35%. ABM subsequently exercised the option agreement and completed the investment to acquire 25% of the Haneti Project.

The results of the soil sampling programme undertaken at the Haneti Nickel Project successfully identified a new, previously unknown, exploration target and increasing the strike length of previously identified high priority areas.

Following further reviews of the accumulated work undertaken, the company identified two key targets at the Haneti project: Mihanza Hill and Mwaka Hill. As the year closed, planning for a maiden drill programme, the commencement of which would be subject to securing additional funding, was underway.

### *Imweru and Lubando Gold Projects, Tanzania*

Imweru is in the Lake Victoria Goldfields region of northern Tanzania and forms part of the Imweru Licence Portfolio owned by Reef Miners Limited, a 100% Tanzanian registered subsidiary of Kibo Gold Ltd, which is a 100% owned Cypriot subsidiary of the Company.

Reef Miners Ltd is also the 100% owner of the Company's earlier stage Lubando gold project and Katoro's other gold prospecting licences in Tanzania. Together, Imweru and Lubando have a combined JORC compliant resource of 754,980 ounces of gold.

In August 2019 the company announced a potential disposal of Reef Miners Limited to Lake Victoria Gold Limited for a total staged cash consideration of up to US\$1.0 million and a 1.5% Net Smelter Royalty.

Due diligence was ongoing as 2019 came to a close, with an agreement reached subsequent to the year-end as announced in March 2020.

### *COVID-19 Update*

With Katoro having operations in Tanzania and now a Joint Venture ('JV') agreement to exploit six gold tailings dams in South Africa, the impact of local guidelines and restrictions must be considered and managed accordingly.

The South African Government has announced that the National Coronavirus Command Council has decided to enforce a nationwide lockdown, with effect from midnight on 26 March 2020. Furthermore, the Government of Tanzania has instituted travel restrictions, effective 23 March 2020.

The safety and wellbeing of Katoro's employees and contractors is the highest priority for the Company at this time. Accordingly, in response to the outbreak of COVID-19, and in line with government guidelines, a business continuity programme has been put in place. This has resulted in all non-essential travel being cancelled and all employees being asked to work from home. Discussions and work in respect of the JV gold project remain ongoing, to the extent that these can be advanced given prevailing restrictions. Any activity on site will however be halted.

The situation and guidance being given in respect of COVID-19 is an evolving one, which the Board will continue to actively monitor.

## CHAIRMAN'S REPORT

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In this unprecedented time, it is our priority and responsibility to ensure the safety of our team. Accordingly, we are taking measures to ensure we limit travel and movement and are following the guidance of the authorities in the areas we operate. This is naturally a rapidly evolving situation, which we continue to monitor, and whilst certain activity has to be temporarily halted, we are working remotely to progress operations and discussions to ensure that we protect and advance the long-term value of our Company and the interests of our stakeholders. We will continue to provide updates on our business and operations as necessary. Finally, we would like to take this opportunity to send our very best wishes to all during this difficult time.

### *Outlook*

Looking ahead, I am particularly excited about the district-scale opportunity that the Haneti JV offers for nickel (sulphide and laterite), Platinum Group Metals, copper, gold, lithium and rare earth elements. Alongside our JV partner Power Metal Resources (AIM:POW) (previously known as African Battery Metals plc), the project is ready to implement a maiden drill programme.

The proposed disposal of the Imweru and Lubando gold projects will enable Katoro to focus its resources on other projects in its portfolio, whilst still providing the Company with the option to maintain project exposure through a shareholding in Lake Victoria Gold.

The recent JV agreement to acquire a strategic gold tailings project in South Africa, has provided the company with an exciting near-term production opportunity with early cashflow potential. The Blyvoor gold project is a finance ready opportunity with a JORC compliant resource of 1.34Moz gold. All requisite mining and permitting licences are in place. The company is actively exploring multiple finance options at project level.

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**  
14 May 2020

## STRATEGIC REPORT

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The Board of Directors present their Strategic report together with the audited annual financial statements for the year ended 31 December 2019 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.

### Financial activities

| Description                      | 31 December 2019 | 31 December 2018 |
|----------------------------------|------------------|------------------|
| Administrative expenses          | (514,220)        | (400,505)        |
| Share based payment transactions | (91,597)         | (22,616)         |
| Foreign exchange gain/(losses)   | 1,649            | 21,656           |
| Exploration expenditure          | (102,152)        | (77,740)         |
| Other income                     | 37,661           | -                |
| Loss before tax                  | (668,659)        | (479,205)        |

The result for the year ended 31 December 2019 amounted to a total comprehensive loss of £664,077 (31 December 2018: loss £492,275). The Group had a cash balance at year end of approximately £27,972. As can be seen from the above table and the Statement of Comprehensive Income, administrative expenditure have increased from year-on-year, with a slight increase in exploration expenditure. The main reason for the increase in the total comprehensive loss year-on-year is due to the increase in the share based payment transactions that is based on the fair value adjustments of share options that have vested during the period, as well as the increase in directors’ remuneration. The reason for the increase in the directors’ remuneration in the current year is due to it being applicable for a full period during 2019 whereas the comparative figure was based on remuneration for a part of the year (due to directors’ remuneration only commencing through part of the prior year) – please refer to note 3 of the Annual Financial Statement for more information on directors’ remuneration.

### 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 2019 are included above. 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 18 to the Annual Financial Statements.

## STRATEGIC REPORT

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### *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.

### *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 £177,714 as at 31 December 2019 (31 December 2018: £446,732).

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.

The Group had a cash balance at year end of approximately £27,972.

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 2020. 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.

### COVID-19 Update

With Katoro having operations in Tanzania and now a Joint Venture ('JV') agreement to exploit six gold tailings dams in South Africa, the impact of local guidelines and restrictions must be considered and managed accordingly.

The South African Government has announced that the National Coronavirus Command Council has decided to enforce a nationwide lockdown, with effect from midnight on 26 March 2020. Furthermore, the Government of Tanzania has instituted travel restrictions, effective 23 March 2020.

The safety and wellbeing of Katoro's employees and contractors is the highest priority for the Company at this time. Accordingly, in response to the outbreak of COVID-19, and in line with government guidelines, a business continuity programme has been put in place. This has resulted in all non-essential travel being cancelled and all employees being asked to work from home. Discussions and work in respect of the JV gold project remain ongoing, to the extent that these can be advanced given prevailing restrictions. Any activity on site will however be halted.

The situation and guidance being given in respect of COVID-19 is an evolving one, which the Board will continue to actively monitor. Furthermore, the foregoing may mean the company is unable to raise funding from usual sources.

In this unprecedented time, it is our priority and responsibility to ensure the safety of our team. Accordingly, we are taking measures to ensure we limit travel and movement and are following the guidance of the authorities in the areas we operate. This is naturally a rapidly evolving situation, which we continue to monitor, and whilst certain activity has to be temporarily halted, we are working remotely to progress operations and discussions to ensure that we protect and advance the long-term value of our Company and the interests of our stakeholders. We will continue to provide updates on our business and operations as necessary. Finally, we would like to take this opportunity to send our very best wishes to all during this difficult time.



## STRATEGIC REPORT

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### *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.

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.

## STRATEGIC REPORT

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### *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.

Section 172(1)(a) to (f) of the Companies Act 2006 requires each director to act in the way he or she considers would be most likely to promote the success of the company for the benefit of its members as a whole, with regard to the following matters:

**a. The likely consequences of any decision in the long-term**

Katoro is a mining exploration and development company. By their natures mining exploration and development projects are complex, capital intensive, last many years and involve a varied group of stakeholders. As such it is extremely important that the board considers all decisions made by the company in the context of their long-term impact on the company. Consequences of such decisions include (but are not limited to) the impact on all stakeholders (with particular care towards local communities), impact on environmental issues in and around project areas and the financial impact on the Company and its ability to function effectively. Katoro Gold is meticulous in its planning, as is required for permitting processes in the mining exploration and development sector. As such, the Company prepares detailed planning documents before initiating any major work programme. Such planning documents assess a variety of factors from community and environmental issues to technical geological and project funding matters. Where appropriate the Company provides copies of these reports on its website ([www.katorogold.com](http://www.katorogold.com)) or releases excerpts via the London Stock Exchange's Regulatory News Service.

**b. The interests of the company's employees**

The health and safety of Katoro Gold's employees is of paramount concern to the board. It is imperative that Katoro Gold provides a safe and secure working environment for all staff. The Company conducts regular Health & Safety reviews and ensures that any operational plans are subject to rigorous scrutiny in their creation and constant monitoring during their implementation.

The Company is a responsible employer in respect to the approach it takes towards employee pay and benefits. These are constantly reviewed.

**c. The need to foster the company's business relationships with suppliers, customers and others**

Mining exploration and development projects involve a diverse and varied group of stakeholders. These include (but is not limited to) the Company's employees, government officials, local communities, financial backers, shareholders and other suppliers. The Company adopts a transparent and open stance in its dealings with all stakeholders to help build trust. Mining exploration and development projects can only succeed with the full support of all involved.

The board has oversight of the procurement and contract management processes in place and receives regular updates on any matters of significance, as well as approving the awarding of large contracts. The board ensures the company fully adheres to the Bribery Act 2010.

**d. The impact of the company's operations on the community and environment**

Mining exploration and development projects can have a significant impact on local communities and the environment. The board constantly reviews the impact of its operations on local communities and the environments. Where required, the Company completes detailed surveying work (such as Environmental Impact Assessments) and, where necessary, applies for relevant permits. Such processes require diligence and concentrated effort.

The board ensures it maintains positive relations with local communities, by engaging in local programmes and providing secure employment opportunities.

## STRATEGIC REPORT

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### e. The desirability of the company maintaining a reputation for high standards of business conduct

As a listed Plc, Katoro Gold's reputation for the high standards of its business conduct is paramount. The board makes every effort to ensure it maintains these.

The Company is subject to the disclosure requirements of the AIM Rules for Companies and Financial Conduct Authority's Disclosure Transparency Rules. These comprehensive set of rules enforce a strict discipline upon the Company in terms of the manner, timeliness, subjectivity and content of its public disclosures.

Katoro Gold is also required to complete an annual audit. This is a rigorous analysis of the company's operations and review of the company's policies. The results of this are published each year in the Company's Annual Report.

Katoro Gold also publishes on its website an "AIM 26 Disclosure" (<https://katorogold.com/investors/aim-rule-26>), which details much of the manner in which the Company is run.

Katoro Gold is committed to corporate governance and adheres to the QCA Corporate Governance Code. The Company's corporate governance statement can be found here - <https://katorogold.com/wp-content/uploads/2020/01/Final-Corporate-Governance-Statement-Katoro-Gold-plc-20092018-reviewed-14012020-pdf.pdf>

### f. The need to act fairly as between members of the company

As a listed company, Katoro Gold is committed to treating its shareholders fairly and delivering shareholder value.

Katoro Gold is registered in England and Wales and is subject to the Companies Act. The Company is also subject to the UK City Code on Takeovers and Mergers. The Company's articles of association, which help define some of the actions between the Company and its shareholders, can be found here <https://katorogold.com/investors/corporate-documents/>

This report was approved by the Board on 14 May 2020 and signed on its behalf by:



Louis Coetzee  
**Executive Chairman**

## CORPORATE GOVERNANCE REPORT

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Our Company 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 encompassed throughout the Company. As a Board, we set clear expectations regarding 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.

It is the Board's role to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). This statement sets out how the Company complies with, and where relevant departures from, the 10 principles of the QCA Code.

Louis Coetzee  
Executive Chairman  
14 May 2020

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

Katoro Gold's primary focus is on advancing and developing its Tanzanian projects. The Company is also in the process of reviewing other exploration and mining projects in the region, which resulted in the announcement of the Company's acquisition of the Haneti nickel project in Tanzania and the Joint Venture ('JV') agreement to exploit six gold tailings dams in South Africa, with a view to building a diversified mining portfolio. Accordingly, the majority of Katoro's resources will be used to fund the continued development of the Company's existing projects.

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 Company and any significant deviation or change will be highlighted promptly should this occur.

The Strategic Report of the Company can be found on pages 5 to 9.

### **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. 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](http://www.katorogold.com).

The Company also utilises other professional advisers such as the Company's NOMAD, Broker, Auditor, Investor and Media Relations Adviser and the Company Secretary who provide advice and recommendations on shareholder communication. Contact details are provided on the Company's website and within public documents should shareholders wish to communicate with the Company.

## CORPORATE GOVERNANCE REPORT

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

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

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

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 Company. The principal risks that the Company is exposed to can be classified under the general headings of exploration risk, commodity risk, price risk, currency risk and political risk. A more detail analysis of the principal risks can be found on pages 5 – 9.

Although there is no specific committee tasked with identifying, analysing and reporting on risk during the financial period, it is nevertheless part of the everyday function of the Directors and is managed at Board level. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Company are appropriate to the business.

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

The Board acknowledges and recognises its responsibility for the importance of implementing and maintaining high standards of corporate governance. The Board is responsible for establishing and maintaining the system of internal controls. The Company subscribes to the values of good corporate governance at all levels and is committed to conduct business with discipline, integrity and social responsibility

Short biographies of the Directors appointed to the Board can be found within the Directors' Report on pages 13 to 21 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. Presently, 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 this will be monitored on an ongoing basis as the Company continues to grow and develop. For the same reason, the Board have not appointed a Senior Independent Director.

The Board is of the view that the Chairman and each of the Directors who held office during 2019 committed sufficient time to fulfilling their duties as members of the Board.

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

The Board has a diverse range of skills, experience and personal qualities that help deliver the strategy of the Company. The Company will ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities to deliver the Company's strategy and targets. Each Director's biographical details, along with a description of their role and experience, can be found within the Directors' Report on pages 13 to 21.

### **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.

## CORPORATE GOVERNANCE REPORT

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### **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 19 of the Directors' Report.

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

The Board sets the direction for the Company through a formal schedule of matters reserved for its decision. The Executive Chairman implements the strategy for the Company and regularly reports to the Board on progress as well as continually engaging with the Company's shareholders and stakeholders. The Board has a schedule of matters reserved for its review and approval, such items include, Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The Board delegates day-to-day responsibility for managing the business to the Executive Chairman and the senior management team.

The Board and Committees along with the matters reserved for each are explained within the Directors' Report on pages 13 to 21. Further information can also be found on the Company's website [www.Katorogold.com](http://www.Katorogold.com).

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

Under AIM rule 26 the Company already publishes historical annual reports, notices of meetings and other publications which can be found on the Company's website [www.Katorogold.com](http://www.Katorogold.com). The Board has not published Audit and Risk Committee or Remuneration Committee reports in the Company's latest annual report and accounts. The Board feels that this is appropriate given the size and stage of development of the Company. With regard 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. Where necessary, the Company would offer an explanation of actions where a significant proportion of votes (e.g. 20% of independent votes) is cast against a resolution.



Louis Coetzee  
**Executive Chairman**  
14 May 2020

## DIRECTORS' REPORT

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The Board of Directors present their Annual Report together with the audited annual financial statements for the year ended 31 December 2019 of Katoro Gold plc ("the Company") 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 are 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 Company and facilitate them in discharging their duties.

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

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

### **Louis Coetzee, BA, MBA, Age 55– Chairman (Executive)**

Louis has over 25 years' experience in business development, promotion and financing in both the public and private sectors. In recent years, he has concentrated on the exploration and mining area where he has founded, promoted and developed several junior mineral exploration companies based mainly on Tanzanian assets. Previous roles include Vice-President of Canadian listed Great Basin Gold (TSX: CBG) whilst other current roles include CEO of Kibo Mining plc (AIM and AltX listed). 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.

### **Louis Scheepers, Age 62 – (Non-Executive)**

Louis is an experienced project manager with more than 19 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 greenfield mining projects, spending much time in South, Central and East Africa, as well as the Middle East. Other positions he has held include CEO of Mzuri Exploration Services Ltd as well as the executive responsible for project development at TSX, NYSE and JSE listed Great Basin Gold Ltd after completing a stint as mining consultant.

### **Myles Campion, BSc, MSc, Age 51 – (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 managed the Australian Natural Resources Fund, an Open-Ended Investment Company (OEIC) traded in London, steering the fund to an outperforming 50 per cent. return over five years.

### **Paul Dudley, BSc, FCA, Age 48 – (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. Whilst at stockbroking firm WH Ireland, Paul acted as the corporate finance adviser on numerous flotations, fundraisings and provided advice on takeovers and other transactions in the private and public arena.

Earlier in his career, Paul was seconded to the listing department of the London Stock Exchange and he also 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.

## DIRECTORS' REPORT

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### **Lukas Marthinus (Tinus) Maree, BLC, LLB, Age 58 – (Non-Executive)**

Tinus is a lawyer by profession. He has served on the Boards of a number of public companies including Kibo Mining 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 advancing and developing its Tanzanian projects. The Company is also in the process of reviewing other exploration and mining projects in the region, which resulted in the announcement of the Company's acquisition of the Haneti nickel project in Tanzania and the Joint Venture ('JV') agreement to exploit six gold tailings dams in South Africa, with a view to building a diversified mining portfolio. Accordingly, the majority of Katoro's resources will be used to fund the continued development of the Company's existing projects.

Looking ahead, the Company is particularly excited about the district-scale opportunity that the Haneti JV offers for nickel (sulphide and laterite), Platinum Group Metals, copper, gold, lithium and rare earth elements. Alongside our JV partner Power Metal Resources (AIM:POW) the project is ready to implement a maiden drill programme.

The proposed disposal of the Imweru and Lubando gold projects will enable Katoro to focus its resources on other projects in its portfolio, whilst still providing the Company with the option to maintain project exposure through a shareholding in LVG.

The recent JV agreement to acquire a strategic gold tailings project in South Africa, has provided the company with an exciting near-term production opportunity with early cashflow potential. The Blyvoor gold project is a finance ready opportunity with a JORC compliant resource of 1.34Moz gold. All requisite mining and permitting licences are in place. The company is actively exploring multiple finance options at project level.

### **Results**

The result for the year amounted to a loss of £664,077 for the year ended 31 December 2019 (31 December 2018: loss of £492,275)

### **Post Statement of Financial Position Events**

#### Strategic Gold Production Opportunity & Financing

On 30 January 2020 the Company announced it had entered into a binding conditional agreement (the 'Agreement') to participate in a strategic gold production opportunity in South Africa, focused on the reprocessing of an existing 1.34 million ounce of gold ('Moz of Au') JORC compliant tailings resource. On the same day Katoro has raised £397,000 in the form of a Convertible Loan Note ('CLN') with a number of high net worth clients of SI Capital Limited, the Company's broker, to support its commitments under the Agreement. The details of the foregoing can be seen in the RNS announcement dated 30 January 2020. Furthermore, in addition to the foregoing CLN secured from clients of SI Capital, the Company's broker, it has now completed the second tranche of convertible loan note funding from Sanderson. Sanderson subscribed for £400,000 in the form of a convertible loan note ('the Sanderson CLN'), which, together with the unallocated proceeds from the CLN, Katoro funded further advances to the JV pursuant to the Loan Facility.

#### Financing

On 31 March 2020 the Company announced that it has raised £215,000 (gross) through a placing and subscription of 17,200,000 new ordinary shares of 1.00p each in the capital of the Company ('Ordinary Shares') ('Financing Shares') at 1.25p per share with new and existing shareholders. Each Financing Share has an attaching warrant to subscribe for a further new Ordinary Share at a price of 2p, with a life to expiry of 2 years from the Financing Shares admission to trading on AIM ('Admission'), creating 17,200,000 new warrants ('Financing Warrants'). The Fundraise will provide the Company with additional working capital and further bolster its ability to continue uninterrupted with work on its projects during the current uncertainty and unpredictability associated with COVID-19 and to meet the final balance of the ZAR15 million loan due to the Blyvoor JV. In addition to the Financing Warrants the Company currently has 15.2 million warrants outstanding, including 10 million held by Power Metal Resources plc (LON: POW) exercisable at 1.25p and 5.2 million held by participants in the October 2019 fundraise exercisable at 1.50p. Should all 32.4 million warrants be exercised, the Company would receive an additional £547,000 in cash inflow which would provide a significant additional cash runway for the Company.



## DIRECTORS' REPORT

### Disposal of Imweru Gold Project

On 8 April 2020 the Company announced that it has agreed the disposal of its Imweru gold project ('Imweru' or 'the Project') to Lake Victoria Gold Limited ('LVG') for a total staged consideration of US\$1.0 million and a 1.5% Net Smelter Royalty ('NSR') on all future gold production from Imweru ('the Disposal'). Katoro has entered into a sale and purchase agreement ('SPA') with LVG for the disposal of Reef Miners Ltd ('Reef'), Katoro's wholly owned subsidiary, which holds the Imweru Gold Project in Tanzania ('Imweru'). LVG is an unlisted public company, incorporated in Australia, operating multiple exploration licences including its key project, the Imwelo Gold Project in Tanzania ('Imwelo'), located adjacent to Imweru and also holds the relevant environmental approvals and mining licence for Imwelo. The board of Katoro (the 'Board') believes that the Disposal will enable Imwelo and Imweru to be combined, thereby creating a project with a larger footprint and in-situ gold resource, enabling a faster route to gold production for Imweru. Under the terms of the SPA, Katoro will, on receiving consent for the Disposal from the Tanzanian Mining Commission in respect of section 110 of the Mining Act 2010 (the 'Condition Precedent'), transfer 100% of Reef to LVG in return for a consideration of US\$1.0 million, payable pursuant to a convertible loan note instrument which provides for the issue of convertible loan notes by LVG to Katoro (the 'Convertible Loan Notes').

### Shareholding

Subsequent to period end, Kibo Energy Plc's shareholding in the Company is below 50%, however, control has been maintained through its representation on the Board of Directors. Until this changes, Kibo Energy Plc will remain the ultimate controlling party of the entity.

### COVID-19 Update

Since the year end, it has become clear that the spread of the COVID-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact. The directors have set out the post year end impact on going concern in the relevant section below to the 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, Louis Scheepers and Tinus Maree are also Directors of Kibo Energy Plc, the majority shareholder.

### **Ordinary Shares (held directly and indirectly)**

| <b>Directors</b> | <b>14 May 2020</b> | <b>31 December 2019</b> | <b>31 December 2018</b> |
|------------------|--------------------|-------------------------|-------------------------|
| Louis Coetzee    | -                  | -                       | -                       |
| Louis Scheepers  | -                  | -                       | -                       |
| Myles Champion   | 1,750,000          | 1,750,000               | 1,750,000               |
| Paul Dudley      | 1,166,667          | 1,166,667               | 1,166,667               |
| Tinus Maree      | -                  | -                       | -                       |

### **Share Options**

Following the creation of this share option plan ("SOP") on the 8 February 2019, 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.

| <b>Directors</b> | <b>31 December 2019</b> | <b>14 May 2020</b> | <b>Options as % of current issued share capital</b> |
|------------------|-------------------------|--------------------|-----------------------------------------------------|
| Louis Coetzee    | 4,782,330               | 4,782,330          | 3.2                                                 |
| Louis Scheepers  | 1,494,478               | 1,494,478          | 1.0                                                 |
| Myles Champion   | 2,391,165               | 2,391,165          | 1.6                                                 |
| Paul Dudley      | 2,391,165               | 2,391,165          | 1.6                                                 |
| Tinus Maree      | 2,391,165               | 2,391,165          | 1.6                                                 |

## DIRECTORS' REPORT

For further detail surrounding the ordinary shares and share options please refer to Note 12 of the annual financial statements.

### Directors Remuneration

| Directors       | 31 December 2019 | 31 December 2018 |
|-----------------|------------------|------------------|
| Louis Coetzee   | £36,000          | £18,000          |
| Louis Scheepers | £36,000          | £18,000          |
| Myles Champion  | £39,777          | £19,321          |
| Paul Dudley     | £39,777          | £19,321          |
| Tinus Maree     | £36,000          | £18,000          |

There were no other elements of Directors remuneration incurred in the period.

There have been no other contracts or arrangements of significance during the period in which Directors of the Company, or their related parties, were interested.

### 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 2019 were:

| Name            | Plc Board | Audit and Risk Committee | Disclosure and AIM Rules Compliance Committee | Nomination Committee | Remuneration Committee |
|-----------------|-----------|--------------------------|-----------------------------------------------|----------------------|------------------------|
| Louis Coetzee   | 19/19     |                          | 1/1                                           |                      |                        |
| Louis Scheepers | 17/19     |                          |                                               |                      |                        |
| Myles Champion  | 17/19     | 2/2                      |                                               | 1/1                  | 1/1                    |
| Paul Dudley     | 18/19     | 2/2                      | 1/1                                           | 1/1                  | 1/1                    |
| Tinus Maree     | 17/19     | 2/2                      |                                               | 1/1                  | 1/1                    |

### Significant Shareholdings

The Company has been informed that, in addition to the interests of the Directors, at 31 December 2019 and 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 |          |            |
|--------------------------------|------------------------------------|----------|------------|
|                                | 14 May 2020                        | 31/12/19 | 31/12/2018 |
| Kibo Energy plc                | 42.13%                             | 56.7%    | 55.5%      |
| Pelamis Investments Limited    | -                                  | 3.8%     | 4.1%       |
| David Steinepreis              | -                                  | 3.5%     | 3.7%       |
| Yakoub Yakoubov                | -                                  | 4.2%     | 3.3%       |
| Sanderson Capital Partners Ltd | 8.76%                              | -        | -          |
| Power Metal Resource PLC       | 4.38%                              | -        | -          |

### Subsidiary Undertakings

Details of the Company's subsidiary undertakings are set out in Note 15 to the annual financial statements.

### Political Donations

During the period, the Group made no charitable or political contributions (2018: £ nil).

## DIRECTORS' REPORT

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### 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 Group currently generates no revenue and had net assets of £177,714 as at 31 December 2019 (2018: net assets of £446,732).

The Directors have reviewed budgets, projected cash flows and other relevant information forecasted for a period of 19 months to end December 2021, 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.

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. The disposal of the Imweru Gold Project as referred to in the Post Statement of Financial Position Events above should see funds flowing through into the company and assist with cash flow. 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. Furthermore, the emergence of the COVID-19 global pandemic and its current impact on the Company is set out below, and the directors are cognisant that this issue might have an effect on further fund raising activities.

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.

### COVID-19 Update

With Katoro having operations in Tanzania and now a Joint Venture ("JV") agreement to exploit six gold tailings dams in South Africa, the impact of local guidelines and restrictions must be considered and managed accordingly.

The South African Government has announced that the National Coronavirus Command Council has decided to enforce a nationwide lockdown, with effect from midnight on 26 March 2020. Furthermore, the Government of Tanzania has instituted travel restrictions, effective 23 March 2020.

The safety and wellbeing of Katoro's employees and contractors is the highest priority for the Company at this time. Accordingly, in response to the outbreak of COVID-19, and in line with government guidelines, a business continuity programme has been put in place. This has resulted in all non-essential travel being cancelled and all employees being asked to work from home. Discussions and work in respect of the JV gold project remain ongoing, to the extent that these can be advanced given prevailing restrictions. Any activity on site will however be halted.

The situation and guidance being given in respect of COVID-19 is an evolving one, which the Board will continue to actively monitor.

In this unprecedented time, it is our priority and responsibility to ensure the safety of our team. Accordingly, we are taking measures to ensure we limit travel and movement and are following the guidance of the authorities in the areas we operate. This is naturally a rapidly evolving situation, which we continue to monitor, and whilst certain activity has to be temporarily halted, we are working remotely to progress operations and discussions to ensure that we protect and advance the long-term value of our Company and the interests of our stakeholders. We will continue to provide updates on our business and operations as necessary. Finally, we would like to take this opportunity to send our very best wishes to all during this difficult time.

### Environmental responsibility

The Company 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.

## DIRECTORS' REPORT

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### Dividends

There have been no dividends declared or paid during the current financial period (2018: £ 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 and as a result 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 10 to 12.

### 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 Company operations with Board meetings taking place on a regular basis throughout the financial period. During the current reporting period, the Board met 19 (nineteen) times and provided pertinent information to the Executive Committee of the Company.

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.

The Audit and Risk Committee were tasked with, amongst other things, identifying, analysing and reporting on risk during the financial period.

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 and Risk Committee

The Audit and Risk Committee consists of Paul Dudley as Chairman, Myles Campion and Tinus Maree.

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

These include:

- the establishment of an Audit and Risk 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;
- 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 and Risk Committee further sets the principles for recommending the external auditors for non-audit services use.

The Audit and Risk Committee met twice during the current year to approve the Interim and Annual Report and recommend approval to the Board.

### Remuneration Committee

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

## **DIRECTORS' REPORT**

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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 Remuneration Committee met once during the year.

### **Nomination Committee**

The members of the Nomination Committee are Myles Champion as Chairman, Paul Dudley 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 Nomination Committee met once during the current year.

### **Disclosure and AIM Rules Compliance Committee**

The members of the AIM Rules Compliance Committee are Paul Dudley as Chairman 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.

The Disclosure and AIM Rules Compliance Committee met once during the year.

### **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, minimize 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.

### **Corporate Social Responsibility Policy**

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.

## DIRECTORS' REPORT

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### 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.

The Board has five Directors, comprising of an executive Director and four non-executive Directors. The Board met formally on 19 (nineteen) occasions during the year ended 31 December 2019. 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.

## DIRECTORS' REPORT

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### 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 14 May 2020 and signed on its behalf by:



Louis Coetzee  
**Chairman**

## INDEPENDENT AUDITORS REPORT

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### 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 2019, which comprise:

- Consolidated statement of comprehensive income for the year ended 31 December 2019;
- Consolidated and parent company statements of financial position as at 31 December 2019;
- 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 2019 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 31 of 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 31, 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 Group'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 (2018 £25,000), based on approximately 3% 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 (2018: £1,250). 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

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### *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 Kibo Nickel Limited and its subsidiary Eagle Exploration Limited. The audit of Katoro Gold Plc was conducted from the UK. The transactions in the year are limited to administration and professional fees, exploration and development expenditure, some of which was settled via share based payment. The support for these 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 their 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.

| <b><i>Key audit matter</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                          | <b><i>How the scope of our audit addressed the key audit matter</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Carrying value of the Exploration and Evaluation assets</i></p> <p>The Haneti nickel deposit is the most significant asset held by the Group. Management are required to assess the asset for impairment annually to ascertain whether any facts and circumstances may exist that indicate impairment is required. As any form of cash flow is yet to be generated from it, this can involve significant judgement on the part of management.</p> | <p>We obtained evidence concerning the ongoing development of the assets to enable us to assess whether we believed there was any evidence of impairment.</p> <p>We obtained management's assessment and discussed it directly with them.</p> <p>We obtained evidence to support management's assertion that they intend on doing further work to bring the assets into commercial production, including the JV entered into during the year and the finance allocated to the project.</p> |

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

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### 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 20, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the 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.



Matthew Stallabrass (Senior Statutory Auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

London

Date: 14 May 2020

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                                              | <b>GROUP</b>                |                             |                  |
|--------------------------------------------------------------|-----------------------------|-----------------------------|------------------|
|                                                              | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |                  |
|                                                              | <b>Audited</b>              | <b>Audited</b>              |                  |
| <b>Continuing operations</b>                                 | <b>Note</b>                 | <b>£</b>                    | <b>£</b>         |
| Revenue                                                      | 2                           | -                           | -                |
| Administrative expenses                                      |                             | (514,220)                   | (400,505)        |
| Share based payment transactions                             |                             | (91,597)                    | (22,616)         |
| Foreign exchange gain/(losses)                               |                             | 1,649                       | 21,656           |
| Exploration expenditure                                      |                             | (102,152)                   | (77,740)         |
| <b>Operating loss</b>                                        |                             | <b>(706,320)</b>            | <b>(479,205)</b> |
| Other income                                                 | 8                           | 37,661                      | -                |
| <b>Loss on ordinary activities before tax</b>                |                             | <b>(668,659)</b>            | <b>(479,205)</b> |
| Taxation                                                     | 5                           | -                           | -                |
| <b>Loss for the period</b>                                   |                             | <b>(668,659)</b>            | <b>(479,205)</b> |
| <b>Other comprehensive loss:</b>                             |                             |                             |                  |
| Items that may be classified subsequently to profit or loss: |                             |                             |                  |
| Exchange differences on translation of foreign operations    |                             | 4,582                       | (13,070)         |
| <b>Other comprehensive loss for the period net of tax</b>    |                             | <b>4,582</b>                | <b>(13,070)</b>  |
| <b>Total comprehensive loss for the period</b>               |                             | <b>(664,077)</b>            | <b>(492,275)</b> |
| <b>Loss for the period</b>                                   |                             | <b>(668,659)</b>            | <b>(479,205)</b> |
| Attributable to the owners of the parent                     |                             | (661,902)                   | (479,205)        |
| Attributable to non-controlling interest                     |                             | (6,757)                     | -                |
| <b>Total comprehensive loss for the period</b>               |                             | <b>(664,077)</b>            | <b>(492,275)</b> |
| Attributable to the owners of the parent                     |                             | (658,465)                   | (492,275)        |
| Attributable to non-controlling interest                     |                             | (5,612)                     | -                |
| <b>Loss Per Share</b>                                        |                             |                             |                  |
| Basic loss per share (pence)                                 | 6                           | <b>(0.39)</b>               | <b>(0.39)</b>    |
| Diluted loss per share (pence)                               | 6                           | <b>(0.39)</b>               | <b>(0.39)</b>    |

All activities derive from continuing operations.

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

The accompanying notes on pages 39 - 53 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 May 2020 and signed on its behalf by:

**On behalf of the Board**



**Louis Coetzee**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****GROUP**

|                                                           | Note | 31 December    | 31 December    |
|-----------------------------------------------------------|------|----------------|----------------|
|                                                           |      | 2019           | 2018           |
|                                                           |      | Audited        | Audited        |
|                                                           |      | £              | £              |
| <b>Assets</b>                                             |      |                |                |
| <b>Non-Current Assets</b>                                 |      |                |                |
| Intangible assets                                         | 7    | 209,500        | 209,500        |
| Investments                                               | 8    | 37,661         | -              |
|                                                           |      | <b>247,161</b> | <b>209,500</b> |
| <b>Current Assets</b>                                     |      |                |                |
| Cash and cash equivalents                                 | 9    | 27,972         | 412,731        |
| Other receivables                                         | 10   | 13,017         | -              |
| Assets classified as held for sale                        | 20   | 6,966          | -              |
|                                                           |      | <b>47,955</b>  | <b>412,731</b> |
| <b>Total current assets</b>                               |      | <b>47,955</b>  | <b>412,731</b> |
| <b>Total Assets</b>                                       |      | <b>295,116</b> | <b>622,231</b> |
| <b>Equity and Liabilities</b>                             |      |                |                |
| <b>Equity</b>                                             |      |                |                |
| Called up share capital                                   | 11   | 1,795,555      | 1,494,478      |
| Share premium account                                     | 11   | 2,216,729      | 2,186,406      |
| Merger Reserve                                            | 13   | 1,271,715      | 1,271,715      |
| Capital Contribution                                      | 13   | 10,528         | 10,528         |
| Warrant and Share based payment reserve                   | 12   | 105,467        | 41,808         |
| Translation Reserve                                       | 13   | (451,250)      | (455,832)      |
| Retained earnings reserve                                 |      | (4,804,302)    | (4,102,371)    |
| <b>Equity attributable to owners of the parent</b>        |      | <b>144,442</b> | <b>446,732</b> |
| Non-controlling interest                                  |      | 33,272         | -              |
| <b>Total Equity</b>                                       |      | <b>177,714</b> | <b>446,732</b> |
| <b>Liabilities</b>                                        |      |                |                |
| <b>Current Liabilities</b>                                |      |                |                |
| Trade and other payables                                  | 14   | 106,145        | 175,499        |
| Liabilities directly associated with assets held for sale | 20   | 11,257         | -              |
| <b>Total Current Liabilities</b>                          |      | <b>117,402</b> | <b>175,499</b> |
| <b>Total Equity and Liabilities</b>                       |      | <b>295,116</b> | <b>622,231</b> |

The accompanying notes on pages 39 - 53 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 May 2020 and signed on its behalf by:

**On behalf of the Board**



Louis Coetzee

**COMPANY STATEMENT OF FINANCIAL POSITION**

|                                         | <b>Company</b>     |                  |                  |
|-----------------------------------------|--------------------|------------------|------------------|
|                                         | <b>31 December</b> | 31 December      |                  |
|                                         | <b>2019</b>        | 2018             |                  |
|                                         | <b>Audited</b>     | Audited          |                  |
|                                         | <b>£</b>           | <b>£</b>         |                  |
| <b>Non-Current Assets</b>               |                    |                  |                  |
| Investments in group undertakings       | 15                 | 996,804          | 987,109          |
| Investments                             | 8                  | 37,661           | -                |
| <b>Total Non- current assets</b>        |                    | <b>1,034,465</b> | <b>987,109</b>   |
| <b>Current Assets</b>                   |                    |                  |                  |
| Cash and cash equivalents               | 9                  | 7,250            | 313,855          |
| Other receivables                       | 10                 | 13,017           | -                |
| <b>Total Current assets</b>             |                    | <b>20,267</b>    | <b>313,855</b>   |
| <b>Total Assets</b>                     |                    | <b>1,054,732</b> | <b>1,300,964</b> |
| <b>Equity and Liabilities</b>           |                    |                  |                  |
| <b>Equity</b>                           |                    |                  |                  |
| Called up share capital                 | 11                 | 1,795,555        | 1,494,478        |
| Share premium                           | 11                 | 2,216,729        | 2,186,406        |
| Warrant and Share based payment reserve | 12                 | 105,467          | 41,808           |
| Retained deficit                        |                    | (3,125,670)      | (2,464,926)      |
| <b>Total Equity</b>                     |                    | <b>992,081</b>   | <b>1,257,766</b> |
| <b>Liabilities</b>                      |                    |                  |                  |
| <b>Current Liabilities</b>              |                    |                  |                  |
| Trade and other payables                | 14                 | 62,651           | 43,198           |
| <b>Total liabilities</b>                |                    | <b>62,651</b>    | <b>43,198</b>    |
| <b>Total Equity and Liabilities</b>     |                    | <b>1,054,732</b> | <b>1,300,964</b> |

Equity includes a loss for the year of the parent company of £660,744 (2018: £1,230,588).

The accompanying notes on pages 39 - 53 form integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 May 2020 and signed on its behalf by:

**On behalf of the Board**



\_\_\_\_\_  
Louis Coetzee

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|                                                           | Share capital    | Share premium    | Warrant and Share based payment reserve | Merger reserve   | Foreign currency translation reserve | Capital contribution | Retained deficit   | Minority interest | Total equity   |
|-----------------------------------------------------------|------------------|------------------|-----------------------------------------|------------------|--------------------------------------|----------------------|--------------------|-------------------|----------------|
|                                                           | £                | £                | £                                       | £                | £                                    | £                    | £                  |                   | £              |
| <b>Balance as at 1 January 2019</b>                       | <b>1,494,478</b> | <b>2,186,406</b> | <b>41,808</b>                           | <b>1,271,715</b> | <b>(455,832)</b>                     | <b>10,528</b>        | <b>(4,102,371)</b> | -                 | <b>446,732</b> |
| Loss for the year                                         | -                | -                | -                                       | -                | -                                    | -                    | (661,902)          | (6,757)           | (668,659)      |
| Other comprehensive loss                                  | -                | -                | -                                       | -                | 4,582                                | -                    | -                  | -                 | 4,582          |
| Issue of share capital                                    | 301,077          | 30,323           | -                                       | -                | -                                    | -                    | -                  | -                 | 331,400        |
| Issue of share warrants and options                       | -                | -                | 63,659                                  | -                | -                                    | -                    | -                  | -                 | 63,659         |
| Disposal of interest in subsidiary without losing control | -                | -                | -                                       | -                | -                                    | -                    | (40,029)           | 40,029            | -              |
| <b>Balance as at 31 December 2019</b>                     | <b>1,795,555</b> | <b>2,216,729</b> | <b>105,467</b>                          | <b>1,271,715</b> | <b>(451,250)</b>                     | <b>10,528</b>        | <b>(4,804,302)</b> | <b>33,272</b>     | <b>177,714</b> |
| <b>Balance as at 1 January 2018</b>                       | <b>1,082,833</b> | <b>2,050,418</b> | <b>41,808</b>                           | <b>1,271,715</b> | <b>(442,762)</b>                     | <b>10,528</b>        | <b>(3,623,166)</b> | -                 | <b>391,374</b> |
| 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        |
| <b>Balance as at 31 December 2018</b>                     | <b>1,494,478</b> | <b>2,186,406</b> | <b>41,808</b>                           | <b>1,271,715</b> | <b>(455,832)</b>                     | <b>10,528</b>        | <b>(4,102,371)</b> | -                 | <b>446,732</b> |
| Note                                                      | 11               | 11               | 12                                      | 13               | 13                                   | 13                   |                    |                   |                |

The notes on pages 39 - 53 form part of the financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY**

| <b>COMPANY</b>                      | <b>Share capital</b> | <b>Share premium</b> | <b>Warrant and Share based payment reserve</b> | <b>Retained deficit</b> | <b>Total equity</b> |
|-------------------------------------|----------------------|----------------------|------------------------------------------------|-------------------------|---------------------|
|                                     | <b>£</b>             | <b>£</b>             | <b>£</b>                                       | <b>£</b>                | <b>£</b>            |
| <b>Balance at 1 January 2019</b>    | <b>1,494,478</b>     | <b>2,186,406</b>     | <b>41,808</b>                                  | <b>(2,464,926)</b>      | <b>1,257,766</b>    |
| Loss for the year                   | -                    | -                    | -                                              | (660,744)               | (660,744)           |
| Proceeds of issue of share capital  | 301,077              | 30,323               | -                                              | -                       | 331,400             |
| Issue of share warrants and options | -                    | -                    | 63,659                                         | -                       | 63,659              |
| <b>Balance at 31 December 2019</b>  | <b>1,795,555</b>     | <b>2,216,729</b>     | <b>105,467</b>                                 | <b>(3,125,670)</b>      | <b>992,081</b>      |
| <b>Balance at 1 January 2018</b>    | <b>1,082,833</b>     | <b>2,050,418</b>     | <b>41,808</b>                                  | <b>(1,234,338)</b>      | <b>1,940,721</b>    |
| Loss for the year                   | -                    | -                    | -                                              | (1,230,588)             | (1,230,588)         |
| Proceeds of issue of share capital  | 411,645              | 135,988              | -                                              | -                       | 547,633             |
| <b>Balance at 31 December 2018</b>  | <b>1,494,478</b>     | <b>2,186,406</b>     | <b>41,808</b>                                  | <b>(2,464,926)</b>      | <b>1,257,766</b>    |
| <b>Note</b>                         | <b>11</b>            | <b>11</b>            | <b>12</b>                                      |                         |                     |

The accompanying notes on pages 39 - 53 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

|                                                                     | <b>GROUP</b>       |                    |
|---------------------------------------------------------------------|--------------------|--------------------|
|                                                                     | <b>31 December</b> | <b>31 December</b> |
|                                                                     | <b>2019</b>        | <b>2018</b>        |
|                                                                     | <b>Audited</b>     | <b>Audited</b>     |
| Notes                                                               | <b>£</b>           | <b>£</b>           |
| <b>Cash flows from operating activities</b>                         |                    |                    |
| Loss for the period before taxation                                 | (668,659)          | (479,205)          |
| Adjustments for:                                                    |                    |                    |
| Foreign exchange loss/(gain)                                        | 1,649              | (11,130)           |
| Share based payment transactions                                    | 91,597             | 22,633             |
| Liabilities settled through equity                                  | 103,461            | -                  |
| Investment obtained for no consideration                            | (37,661)           | -                  |
| (Decrease)/Increase in trade and other payables                     | (58,097)           | 215                |
| (Increase)/Decrease in trade and other receivable                   | (13,017)           | 1,818              |
|                                                                     | <b>(580,727)</b>   | <b>(465,669)</b>   |
| <b>Cash flows from financing activities</b>                         |                    |                    |
| Issue of shares (net of share issue cost)                           | 202,934            | 313,000            |
| Subsidiary cash acquired                                            | 15 -               | 560                |
|                                                                     | <b>202,934</b>     | <b>313,560</b>     |
| <b>Net cash proceeds from financing activities</b>                  |                    |                    |
|                                                                     | <b>202,934</b>     | <b>313,560</b>     |
| <b>Net cash flows</b>                                               |                    |                    |
|                                                                     | (377,793)          | (152,109)          |
| Cash and cash equivalents at the start of the financial period      | 412,731            | 564,840            |
|                                                                     | <b>34,938</b>      | <b>412,731</b>     |
| <b>Cash and cash equivalents at the end of the financial period</b> |                    |                    |
| Cash and cash equivalents is held as follows:                       |                    |                    |
| Group companies                                                     | 9 27,972           | 412,731            |
| Assets classified as held for sale                                  | 20 6,966           | -                  |

The accompanying notes on pages 39 - 53 form an integral part of these financial statements.



**COMPANY STATEMENT OF CASH FLOWS**

|                                                                     | <b>COMPANY</b>     |                    |
|---------------------------------------------------------------------|--------------------|--------------------|
|                                                                     | <b>31 December</b> | <b>31 December</b> |
|                                                                     | <b>2019</b>        | <b>2018</b>        |
|                                                                     | <b>Audited</b>     | <b>Audited</b>     |
| Notes                                                               | <b>£</b>           | <b>£</b>           |
| <b>Cash flows from operating activities</b>                         |                    |                    |
| Loss for the period before taxation                                 | (660,744)          | (1,230,588)        |
| Adjusted for:                                                       |                    |                    |
| Investment obtained for no consideration                            | (37,661)           |                    |
| Impairment of investments                                           | 295,943            | 1,044,915          |
| Share based payment transactions                                    | 91,597             | 22,633             |
| Liabilities settled through equity                                  | 103,461            | -                  |
| Loss on disposal of subsidiary                                      | 53,324             | -                  |
| Foreign exchange gain                                               | -                  | (59,010)           |
| Increase/(Decrease) in trade and other payables                     | 19,453             | (13,592)           |
| (Increase)/Decrease in trade and other receivables                  | (13,017)           | -                  |
| <b>Net cash flows from operating activities</b>                     | <b>(147,644)</b>   | <b>(235,642)</b>   |
| <b>Cash flows from financing activities</b>                         |                    |                    |
| Issue of shares (net of share issue cost)                           | 202,934            | 313,000            |
| Increase in investments in subsidiaries                             | (361,895)          | -                  |
| <b>Net cash proceeds from financing activities</b>                  | <b>(158,961)</b>   | <b>313,000</b>     |
| <b>Cash flows from investing activities</b>                         |                    |                    |
| <b>Net (decrease)/increase in cash</b>                              | <b>(306,605)</b>   | <b>77,358</b>      |
| Cash and cash equivalents at the start of the financial period      | <b>313,855</b>     | <b>236,497</b>     |
| <b>Cash and cash equivalents at the end of the financial period</b> | <b>7,250</b>       | <b>313,855</b>     |

The accompanying notes on pages 39 - 53 form an integral part of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### 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 2019 is £668,659 (2018: £479,205).

### 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 Group currently generates no revenue and had net assets of £177,714 as at 31 December 2019 (2018: net assets of £446,732).

The Directors have reviewed budgets, projected cash flows and other relevant information over a length of time of 24 months, 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.

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. The disposal of the Imweru Gold Project as referred to in the Post Statement of Financial Position Events above should see funds flowing through into the company and assist with cash flow. 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. Furthermore, the emergence of the COVID-19 global pandemic and its current impact on the Company is set out below, and the directors are cognisant that this issue might have an effect on further fund raising activities.

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.

### Statement of Compliance

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 European Union (“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 2019.

### 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 16 in the current financial period.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### 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;
- Fair value determination of unlisted investments measured at fair value through other comprehensive income; 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 Group's 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 £102,152 would have been capitalised in the current year (2018: £77,740).

#### *Fair value determination of unlisted investments measured at fair value through other comprehensive income*

The fair value of financial instruments that are not traded in an active market has been determined using the cost approach, being the amount that would be required to replace the asset.

#### *Valuation of mining licence in Kibo Nickel Limited*

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 in consultation with the company's nominated advisor, as announced to the market on 22 June 2018. Given this management have applied the provisions within IFRS 3 to value the asset based on the fair value of the instruments granted.

Based on activities undertaken in the current year, this valuation remains appropriate.

### 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;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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- 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 2019, over which the Company has control.

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable 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

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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.

### 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 Company and is considered by the Board also to be appropriate for the purposes of preparing the Group financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### *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.

### **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.

#### *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**

Investments

Loans to Group Companies

Trade and other receivables

Cash and Cash Equivalents

#### **Classification**

Financial assets at fair value through other comprehensive income

Financial assets at amortised cost

Financial assets at amortised cost

Financial assets at amortised cost

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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| <b>Financial liabilities</b> | <b>Classification</b>                   |
|------------------------------|-----------------------------------------|
| Loans from Group Companies   | Financial liabilities at amortised cost |
| Trade and other payables     | Financial liabilities at amortised cost |
| Borrowings                   | Financial liabilities at amortised cost |
| Bank overdraft               | Financial liabilities at amortised cost |

Equity investments held are classified as fair value through other comprehensive income. The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Residual values in other comprehensive income are reclassified to retained earnings (accumulated losses) on derecognition of the related fair value through other comprehensive income instruments.

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 at fair value through other comprehensive income are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in other comprehensive income for the period.

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.

### *Fair value determination*

The recurring fair value measurement of the unlisted equity investments is included in level 3 of the fair value hierarchy. The fair value is based on unobservable market conditions. These include the underlying value of the company, the discount applied related to restriction on trade, forecast financial results, and economic conditions prevailing.

### *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

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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 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| <p><i>IAS 1 Presentation of Financial Statements</i></p> <p>Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.</p> <p>Classification of Liabilities as Current or Noncurrent: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.</p> | <p>1 January 2020</p> <p>1 January 2023</p>         |
| <p><i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i></p> <p>Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.</p>                                                                                                                                                       | <p>1 January 2020</p>                               |

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.

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):

None of these standards which became effective during the period are applicable to the Group.

## 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:

| <b>2019 Group</b>       | <b>Mining and<br/>Exploration<br/>Group</b> | <b>Corporate<br/>Group</b> | <b>31 December<br/>2019 (£)<br/>Group</b> |
|-------------------------|---------------------------------------------|----------------------------|-------------------------------------------|
| Administrative cost     | (256,678)                                   | (349,139)                  | (605,817)                                 |
| Exploration expenditure | (102,152)                                   | -                          | (102,152)                                 |
| Foreign exchange gain   | 1,649                                       | -                          | 1,649                                     |
| Other income            | -                                           | 37,661                     | 37,661                                    |
| <b>Loss after tax</b>   | <b>(357,181)</b>                            | <b>(311,478)</b>           | <b>(668,659)</b>                          |

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

| <b>2019 Group</b>   | <b>Mining<br/>Group</b> | <b>Corporate<br/>Group</b> | <b>31 December<br/>2019 (£)<br/>Group</b> |
|---------------------|-------------------------|----------------------------|-------------------------------------------|
| <b>Assets</b>       | 237,189                 | 57,927                     | 295,116                                   |
| Segment assets      |                         |                            |                                           |
| <b>Liabilities</b>  |                         |                            |                                           |
| Segment liabilities | 54,751                  | 62,651                     | 117,402                                   |

| <b>2018 Group</b>   | <b>Mining<br/>Group</b> | <b>Corporate<br/>Group</b> | <b>31 December<br/>2018 (£)<br/>Group</b> |
|---------------------|-------------------------|----------------------------|-------------------------------------------|
| <b>Assets</b>       |                         |                            |                                           |
| Segment assets      | 308,376                 | 313,855                    | 622,231                                   |
| <b>Liabilities</b>  |                         |                            |                                           |
| Segment liabilities | 132,301                 | 43,198                     | 175,499                                   |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Geographical segments

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

|                                     | Tanzania<br>(£) | Cyprus<br>(£) | United Kingdom<br>(£) | Total<br>31 December<br>(£) |
|-------------------------------------|-----------------|---------------|-----------------------|-----------------------------|
| <b>2019</b>                         |                 |               |                       |                             |
| <b>Major Operational indicators</b> |                 |               |                       |                             |
| Carrying value of segmented assets  | 220,618         | 16,571        | 57,927                | 295,116                     |
| Loss after tax                      | (134,816)       | (222,365)     | (311,478)             | (668,659)                   |

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

### 2. Revenue

The Group did not generate any revenue during the period 1 January 2019 to 31 December 2019 (2018: £nil).

### 3. Employee information (including Directors)

|                                                   | Group<br>31 December<br>2019 (£) | Group<br>31 December<br>2018 (£) | Company<br>31 December<br>2019 (£) | Company<br>31 December<br>2018 (£) |
|---------------------------------------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Wages and salaries – paid by parent company       | 51,032                           | 26,501                           | 51,032                             | 26,501                             |
| Wages and salaries – paid by subsidiary companies | 108,000                          | 54,000                           | -                                  | 54,000                             |
| Social security costs                             | 28,522                           | 12,141                           | 28,522                             | 12,141                             |

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

|           | Group<br>31 December<br>2019 | Group<br>31 December<br>2018 | Company<br>31 December<br>2019 | Company<br>31 December<br>2018 |
|-----------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Directors | 5                            | 5                            | 5                              | 5                              |
|           | <u>5</u>                     | <u>5</u>                     | <u>5</u>                       | <u>5</u>                       |

Total remuneration of key management personnel (Directors and key senior personnel) is £218,091 (2018: £26,501).

|                      | Group<br>31 December<br>2019 (£) | Group<br>31 December<br>2018 (£) | Company<br>31 December<br>2019 (£) | Company<br>31 December<br>2018 (£) |
|----------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Short-term benefits  | 187,554                          | 26,501                           | 51,032                             | 26,501                             |
| Share options issued | 30,537                           | -                                | 30,537                             | -                                  |
|                      | <u>218,091</u>                   | <u>26,501</u>                    | <u>81,569</u>                      | <u>26,501</u>                      |

No Director received emoluments more than £250,000 (2018: £250,000).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 4. Auditors remuneration

|                                                                                     | 31 December 2019<br>(£) | 31 December<br>2018 (£) |
|-------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Audit fees for the audit of the Company's annual accounts                           | 17,000                  | 15,000                  |
| <i>Fees payable to the Company's auditor and its associates for:</i>                |                         |                         |
| Audit fees for audit of Company's subsidiaries required by legislation              | 23,664                  | 29,266                  |
| <b>Audit fees to the Company's auditors</b>                                         | <b>40,664</b>           | <b>44,266</b>           |
| <i>Fees payable to the Company's auditor and its associates for other services:</i> |                         |                         |
| Tax compliance services                                                             | 5,600                   | 2,000                   |
| <b>Total auditors remuneration</b>                                                  | <b>46,264</b>           | <b>46,266</b>           |

### 5. Taxation

#### Current tax

|                                                                               | 31 December<br>2019 (£) | 31 December<br>2018 (£) |
|-------------------------------------------------------------------------------|-------------------------|-------------------------|
| UK corporation tax based on the results for the period at 19% (2018: 19%)     | -                       | -                       |
|                                                                               | -                       | -                       |
|                                                                               | <b>2019 (£)</b>         | <b>2018 (£)</b>         |
| Loss on ordinary activities before tax                                        | (668,659)               | (479,205)               |
| UK Corporation tax at 19% (2018: 19%) and overseas tax at 12.5% (2018: 12.5%) | (92,517)                | (95,841)                |
| Effects of:                                                                   |                         |                         |
| Expenses which are not deductible                                             | 58,327                  | 95,841                  |
| Deferred tax not recognised                                                   | 34,190                  | -                       |
| <b>Income tax expense recognised in the Statement of Comprehensive Income</b> | <b>-</b>                | <b>-</b>                |

No provision has been made for the 2019 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 £1,654,104 (2018: £1,561,587) 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:

|                                                                                     | 31 December<br>2019 (£) | 31 December<br>2018 (£) |
|-------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Basic Loss per share</b>                                                         |                         |                         |
| Loss for the period attributable to equity holders of the parent                    | (661,902)               | (479,205)               |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 168,054,153             | 122,411,677             |
| Basic loss per ordinary share (pence)                                               | (0.39)                  | (0.39)                  |

## 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 2018 and 2019, though the inclusion of such warrants in the weighted average number of shares in issue in 2018 and 2019 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 held by Kibo Nickel and its subsidiaries.

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

#### Reconciliation of exploration and evaluation assets

|                                              | <b>Haneti<br/>(£)</b> |
|----------------------------------------------|-----------------------|
| <b>Carrying value as at 1 January 2018</b>   | -                     |
| Acquisition of prospecting licences (Haneti) | 209,500               |
| Impairment of licences                       | -                     |
| <b>Carrying value as at 1 January 2019</b>   | <b>209,500</b>        |
| Acquisition of prospecting licences          | -                     |
| Impairment of licences                       | -                     |
| <b>Carrying value as at 31 December 2019</b> | <b>209,500</b>        |

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 semi-precious mineral chrysoprase (nickel stained chalcedonic quartz) is being carried out at a few localities.

### 8. Investments

Classified as at fair value through other comprehensive income

|                            | Group (£)     |          | Company (£)   |          |
|----------------------------|---------------|----------|---------------|----------|
|                            | 2019          | 2018     | 2019          | 2018     |
| Lake Victoria Gold Limited | 37,661        | -        | 37,661        | -        |
|                            | <b>37,661</b> | <b>-</b> | <b>37,661</b> | <b>-</b> |

The investment represents 700,000 ordinary shares in Lake Victoria Gold Limited, incorporated in Australia, with a value of AUS\$70,000. The shares were issued to Katoro Gold Plc in recognition of the company granting the extension to receipt of the first tranche of monies due under the term sheet. The shares were issued on 15 October 2019 and recorded using the spot rate between the British pound and Australian dollar at that date.

As the shares were received for no cash consideration, other income of £37,661 was recognised when accounting for this transaction.

### 9. Cash and cash equivalents

|                          | Group (£)     |                | Company (£)  |                |
|--------------------------|---------------|----------------|--------------|----------------|
|                          | 2019          | 2018           | 2019         | 2018           |
| Cash consists of:        |               |                |              |                |
| Cash at bank and in hand | 27,972        | 412,731        | 7,250        | 313,855        |
|                          | <b>27,972</b> | <b>412,731</b> | <b>7,250</b> | <b>313,855</b> |

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 10. Other receivables

|                     | Group (£)     |          | Company (£)   |          |
|---------------------|---------------|----------|---------------|----------|
|                     | 2019          | 2018     | 2019          | 2018     |
| Consists of:        |               |          |               |          |
| Prepaid expenditure | 13,017        | -        | 13,017        | -        |
|                     | <b>13,017</b> | <b>-</b> | <b>13,017</b> | <b>-</b> |

### 11. Share capital - Group and Company

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

|                                                               | 2019                    | 2018                              |
|---------------------------------------------------------------|-------------------------|-----------------------------------|
| <b>Allotted, issued and fully paid shares</b>                 |                         |                                   |
| 179,555,462 (2018: 149,447,825) Ordinary shares of £0.01 each | £1,795,555              | £1,494,478                        |
|                                                               | <b>£1,795,555</b>       | <b>£1,494,478</b>                 |
|                                                               |                         |                                   |
|                                                               | <b>Number of Shares</b> | <b>Ordinary Share Capital (£)</b> |
|                                                               |                         | <b>Share Premium (£)</b>          |
| <b>Balance at 31 December 2017</b>                            | <b>108,283,332</b>      | <b>1,082,833</b>                  |
| Shares issued during the period                               | 41,164,493              | 411,645                           |
| <b>Balance at 31 December 2018</b>                            | <b>149,447,825</b>      | <b>1,494,478</b>                  |
| Shares issued during the period                               | 30,107,637              | 301,077                           |
| <b>Balance at 31 December 2019</b>                            | <b>179,555,462</b>      | <b>1,795,555</b>                  |
|                                                               |                         | <b>2,216,729</b>                  |

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.

A summary of the shares issued is as follows:

|                                             | Number of shares  | Share capital (£) | Share premium (£) | Total (£)      |
|---------------------------------------------|-------------------|-------------------|-------------------|----------------|
| Shares issued for settlement of expenditure | 10,107,637        | 101,077           | 30,323            | 131,400        |
| Placing shares                              | 10,000,000        | 100,000           | -                 | 100,000        |
| Consideration shares                        | 10,000,000        | 100,000           | -                 | 100,000        |
|                                             | <b>30,107,637</b> | <b>301,077</b>    | <b>30,323</b>     | <b>331,400</b> |

Shares issued for settlement of expenditure have been measured at the fair value of the services received. Fair value equates the market value of these services.

No gain or loss was recognised on extinguishing the financial liabilities by issuing equity instruments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 12. Warrant and Share based payment reserve

#### Warrants

The Company has the following warrants over its Ordinary Shares:

- 1,208,333 warrants to Beaufort's (Beaufort Securities Limited, the former broker to the Group) in respect of the placing fees. Each warrant shall entitle Beaufort to subscribe for one new Ordinary Share and shall be exercisable at 6 pence per share for up to five years;
- 10,000,000 warrants to African Battery Metals Plc in respect of the Nickel project facilitation fees. The warrants were issued over 2 tranches. The first tranche of 2,500,000 warrants were issued upon signature of the Option Agreement between the parties on 15 March 2019, with the remaining 7,500,000 issued on 15 May 2019. These warrants are exercisable within 3 years of issue date at a price of 1.25 pence per share.

The fair value of the warrants issued was determined using the Black-Scholes option pricing model.

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

| Description of key input | Key Assumptions<br><i>Beaufort</i> | Key Assumptions<br><i>African Battery Metals Plc</i> |
|--------------------------|------------------------------------|------------------------------------------------------|
| Date issued              | April 2017                         | May 2019                                             |
| Warrants granted         | 1,208,333                          | 10,000,000                                           |
| Stock price              | 6p                                 | 1.3p                                                 |
| Exercise price           | 6p                                 | 1.25p                                                |
| Risk free rate           | 0.1%                               | 0.4%                                                 |
| Volatility               | 70%                                | 82%                                                  |
| Time to maturity         | 5 years                            | 3 years                                              |

Expected volatility was determined using the historic average volatility in the company's share price over the past 2 years.

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

|                                    | Group (£)     |               |
|------------------------------------|---------------|---------------|
|                                    | 2019          | 2018          |
| Opening balance of warrant reserve | 41,808        | 41,808        |
| Issue of warrants                  | 33,122        | -             |
|                                    | <b>74,930</b> | <b>41,808</b> |

#### Reconciliation of the quantity of warrants in issue:

|                 | Group             |                  | Company           |                  |
|-----------------|-------------------|------------------|-------------------|------------------|
|                 | 2019              | 2018             | 2019              | 2018             |
| Opening balance | <b>1,208,333</b>  | <b>1,208,333</b> | <b>1,208,333</b>  | <b>1,208,333</b> |
| Warrants issued | 10,000,000        | -                | 10,000,000        | -                |
|                 | <b>11,208,333</b> | <b>1,208,333</b> | <b>11,208,333</b> | <b>1,208,333</b> |

#### Share Options

During the year, the company implemented a share option plan whereby the Board and Management of the Company were issued 14,944,783 Ordinary shares, being 10% of the Company's issued share capital on 8 February 2019, at 1.3 pence per share. The options have an expiry date of the seventh anniversary date of the date of grant, with 50% vesting on issue and the remaining 50% vesting in one year.

The fair value of the share options issued have been determined using the Black-Scholes option pricing model.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

| Description of key input | Key Assumptions |
|--------------------------|-----------------|
| Options granted          | 14,944,783      |
| Stock price              | 1.3p            |
| Exercise price           | 1.3p            |
| Risk free rate           | 0.4%            |
| Volatility               | 82%             |
| Time to maturity         | 7 years         |

Expected volatility was determined using the historic average volatility in the company's share price over the past 2 years.

The following reconciliation serves to summarise the composition of the share based payment reserve as at period end:

|                                                | Group (£)     |      |
|------------------------------------------------|---------------|------|
|                                                | 2019          | 2018 |
| Opening balance of share based payment reserve | -             | -    |
| Issue of share options                         | 30,537        | -    |
|                                                | <b>30,537</b> | -    |

### Reconciliation of the quantity of share options in issue:

|                      | Group             |      | Company           |      |
|----------------------|-------------------|------|-------------------|------|
|                      | 2019              | 2018 | 2019              | 2018 |
| Opening balance      | -                 | -    | -                 | -    |
| Share options issued | 14,944,783        | -    | 14,944,783        | -    |
|                      | <b>14,944,783</b> | -    | <b>14,944,783</b> | -    |

## 13. 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.

### *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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14. Trade and other payables

|                                             | Group<br>2019 (£) | Group<br>2018 (£) | Company<br>2019 (£) | Company<br>2018 (£) |
|---------------------------------------------|-------------------|-------------------|---------------------|---------------------|
| <b>Amounts falling due within one year:</b> |                   |                   |                     |                     |
| Trade payables                              | 13,619            | 135,461           | 13,564              | 28,198              |
| Accruals                                    | 92,526            | 40,038            | 49,087              | 15,000              |
|                                             | <b>106,145</b>    | <b>175,499</b>    | <b>62,651</b>       | <b>43,198</b>       |

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

### 15. Investment in subsidiaries

|                                                            | Subsidiary<br>undertakings<br>(£) |
|------------------------------------------------------------|-----------------------------------|
| <b>Investments at Cost</b>                                 |                                   |
| <b>At 1 January 2018</b>                                   | <b>1,761,014</b>                  |
| Additions (capitalised acquisition cost of Haneti Project) | 200,000                           |
| Advances to subsidiaries                                   | 71,010                            |
| Provision for impairment                                   | (1,044,915)                       |
| <b>At 31 December 2018 (£)</b>                             | <b>987,109</b>                    |
| Additions                                                  | -                                 |
| Advances to subsidiaries                                   | 358,962                           |
| Disposal of interest in subsidiary (note 16)               | (53,324)                          |
| Provision for impairment                                   | (295,943)                         |
| <b>At 31 December 2019 (£)</b>                             | <b>996,804</b>                    |

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.

At 31 December 2019 the Company had the following undertakings:

| Description                         | Subsidiary,<br>associate or<br>Joint<br>Venture | Registered<br>address                                        | Activity               | Incorporated<br>in | Interest<br>held<br>(2019) | Interest<br>held<br>(2018) |
|-------------------------------------|-------------------------------------------------|--------------------------------------------------------------|------------------------|--------------------|----------------------------|----------------------------|
| <b>Directly held subsidiaries</b>   |                                                 |                                                              |                        |                    |                            |                            |
| Kibo Gold Limited                   | Subsidiary                                      | Kolonakiou,57<br>Ag. Athanasios<br>4103, Limassol<br>Cyprus  | Holding<br>Company     | Cyprus             | 100%                       | 100%                       |
| Kibo Nickel Limited                 | Subsidiary                                      | Kolonakiou,57<br>Ag. Athanasios<br>4103, Limassol<br>Cyprus  | Holding<br>Company     | Cyprus             | 75%                        | 100%                       |
| <b>Indirectly held subsidiaries</b> |                                                 |                                                              |                        |                    |                            |                            |
| Savannah Mining Limited             | Subsidiary                                      | Amani Place<br>10 <sup>th</sup> Floor, Wing A<br>Ohio Street | Mineral<br>Exploration | Tanzania           | 100%                       | 100%                       |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

|               |             |            |                                                                                                                        |                        |          |      |      |
|---------------|-------------|------------|------------------------------------------------------------------------------------------------------------------------|------------------------|----------|------|------|
| Reef Limited  | Miners      | Subsidiary | Dar es Salaam<br>Tanzania<br>Amani Place<br>10 <sup>th</sup> Floor, Wing A<br>Ohio Street<br>Dar es Salaam<br>Tanzania | Mineral<br>Exploration | Tanzania | 100% | 100% |
| Eagle Limited | Exploration | Subsidiary | Dar es Salaam<br>Tanzania<br>Amani Place<br>10 <sup>th</sup> Floor, Wing A<br>Ohio Street<br>Dar es Salaam<br>Tanzania | Mineral<br>Exploration | Tanzania | 75%  | 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 £295,943 (2018: £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.

**16. Changes in ownership interest in subsidiary**

The Group disposed of 25% of its interest in Kibo Nickel Ltd and its wholly owned subsidiary, Eagle Exploration Ltd (hereinafter referred to as "Kibo Nickel Group"), to Africa Battery Metals Plc, for no consideration, effective from 15 May 2019, as part of the agreement entered into with Africa Battery Metals Plc whereby they would further advance the exploration progress related to the Nickel projects. The effect on the equity attributable to owners of Katoro Gold Plc during the year is as follows:

|                                                            | <b>2019</b>   | <b>2018</b> |
|------------------------------------------------------------|---------------|-------------|
| Carrying amount of non-controlling interest disposed       | 40,029        | -           |
| Loss for the year attributable to non-controlling interest | (6,757)       | -           |
| Closing                                                    | <u>33,272</u> | <u>-</u>    |

There were no changes in ownership in 2018.

**17. Related parties****Relationships**

| <b>Name</b>                        | <b>Relationship</b>     |
|------------------------------------|-------------------------|
| Kibo Energy PLC                    | Ultimate parent company |
| Mzuri Exploration Services Limited | Common shareholding     |

**Balances and transactions**

| <b>Name</b>                                                                            | <b>Amount (£)</b> | <b>Amount (£)</b> |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                        | <b>2019</b>       | <b>2018</b>       |
| Mzuri Exploration Services Limited – Fees for exploration and mining services received | 124,170           | 103,500           |

Mzuri Exploration Services Limited has ceased to be a related party on 20 November 2019, but for the purposes of comparative figures, all related party transactions up to and including 19 November 2019 have been included in the 2019 figure above.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

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.

### 18. Financial Instruments and Financial Risk Management

The Group and Company's principal financial instruments comprise 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 2019 and 2018 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.

|                                                  | 2019 (£)                           |                                         | 2018 (£)                           |                                         |
|--------------------------------------------------|------------------------------------|-----------------------------------------|------------------------------------|-----------------------------------------|
|                                                  | Financial assets at amortised cost | Financial liabilities at amortised cost | Financial assets at amortised cost | Financial liabilities at amortised cost |
| <b>Financial instruments of the Group are:</b>   |                                    |                                         |                                    |                                         |
| <b>Financial assets</b>                          |                                    |                                         |                                    |                                         |
| Trade and other receivables                      | -                                  | -                                       | -                                  | -                                       |
| Cash and cash equivalents                        | 27,972                             | -                                       | 412,731                            | -                                       |
| <b>Financial liabilities</b>                     |                                    |                                         |                                    |                                         |
| Trade payables                                   | -                                  | 106,145                                 | -                                  | 175,499                                 |
| <b>Financial instruments of the Company are:</b> |                                    |                                         |                                    |                                         |
| <b>Financial assets</b>                          |                                    |                                         |                                    |                                         |
| Cash and cash equivalents                        | 7,250                              | -                                       | 313,855                            | -                                       |
| <b>Financial liabilities</b>                     |                                    |                                         |                                    |                                         |
| Trade payables                                   | -                                  | 65,621                                  | -                                  | 43,198                                  |

### 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 2019, the Group had no outstanding forward exchange contracts.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

There was no material exposure to foreign currencies at 31 December 2019.

**Exchange rates used for conversion of foreign subsidiaries undertakings were:**

|                       | 2019    | 2018    |
|-----------------------|---------|---------|
| USD to GBP (Spot)     | 0.76231 | 0.78711 |
| USD to GBP (Average)  | 0.78365 | 0.74994 |
| EURO to GBP (Spot)    | 0.85369 | 0.90053 |
| EURO to GBP (Average) | 0.87717 | 0.88481 |

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 (£) |         |
|-----------------------|-----------|---------|-------------|---------|
|                       | 2019      | 2018    | 2019        | 2018    |
| Cash                  | 27,972    | 412,731 | 7,250       | 313,855 |

### 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 2019 were all payable on demand, other than the trade payables to other Group undertakings.

|                            | Less than 1<br>year | Greater than 1<br>year |
|----------------------------|---------------------|------------------------|
| <b>Group (£)</b>           |                     |                        |
| <b>At 31 December 2019</b> |                     |                        |
| Trade and other payables   | 106,145             | -                      |
| <b>At 31 December 2018</b> |                     |                        |
| Trade and other payables   | 175,499             | -                      |
| <b>Company (£)</b>         |                     |                        |
| <b>At 31 December 2019</b> |                     |                        |
| Trade and other payables   | 62,651              | -                      |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### At 31 December 2018

|                          |        |   |
|--------------------------|--------|---|
| Trade and other payables | 43,198 | - |
|--------------------------|--------|---|

### 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.

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 2019. 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 2019, the Group had no outstanding contracts designated as hedges.

## 19. Events after the reporting period

### Strategic Gold Production Opportunity & Financing

On 30 January 2020 the Company announced it had entered into a binding conditional agreement (the 'Agreement') to participate in a strategic gold production opportunity in South Africa, focused on the reprocessing of an existing 1.34 million ounce of gold ('Moz of Au') JORC compliant tailings resource. On the same day Katoro has raised £397,000 in the form of a Convertible Loan Note ('CLN') with a number of high net worth clients of SI Capital Limited, the Company's broker, to support its commitments under the Agreement. The details of the foregoing can be seen in the RNS announcement dated 30 January 2020. Furthermore, in addition to the foregoing CLN secured from clients of SI Capital, the Company's broker, it has now completed the second tranche of convertible loan note funding from Sanderson. Sanderson subscribed for £400,000 in the form of a convertible loan note ('the Sanderson CLN'), which, together with the unallocated proceeds from the CLN, Katoro funded further advances to the JV pursuant to the Loan Facility.

### Financing

On 31 March 2020 the Company announced that it has raised £215,000 (gross) through a placing and subscription of 17,200,000 new ordinary shares of 1.00p each in the capital of the Company ('Ordinary Shares') ('Financing Shares') at 1.25p per share with new and existing shareholders. Each Financing Share has an attaching warrant to subscribe for a further new Ordinary Share at a price of 2p, with a life to expiry of 2 years from the Financing Shares admission to trading on AIM ('Admission'), creating 17,200,000 new warrants ('Financing Warrants'). The Fundraise will provide the Company with additional working capital and further bolster its ability to continue uninterrupted with work on its projects during the current uncertainty and unpredictability associated with COVID-19 and to meet the final balance of the ZAR15 million loan due to the Blyvoor JV. In addition to the Financing Warrants the Company currently has 15.2 million warrants outstanding, including 10 million held by Power Metal Resources plc (LON: POW) exercisable at 1.25p and 5.2 million held by participants in the October 2019 fundraise exercisable at 1.50p.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Should all 32.4 million warrants be exercised, the Company would receive an additional £547,000 in cash inflow which would provide a significant additional cash runway for the Company.

### Disposal of Imweru Gold Project

On 8 April 2020 the Company announced that it has agreed the disposal of its Imweru gold project ('Imweru' or 'the Project') to Lake Victoria Gold Limited ('LVG') for a total staged consideration of US\$1.0 million and a 1.5% Net Smelter Royalty ('NSR') on all future gold production from Imweru ('the Disposal'). Katoro has entered into a sale and purchase agreement ('SPA') with LVG for the disposal of Reef Miners Ltd ('Reef'), Katoro's wholly owned subsidiary, which holds the Imweru Gold Project in Tanzania ('Imweru'). LVG is an unlisted public company, incorporated in Australia, operating multiple exploration licences including its key project, the Imwelo Gold Project in Tanzania ('Imwelo'), located adjacent to Imweru and also holds the relevant environmental approvals and mining licence for Imwelo. The board of Katoro ('the Board') believes that the Disposal will enable Imwelo and Imweru to be combined, thereby creating a project with a larger footprint and in-situ gold resource, enabling a faster route to gold production for Imweru. Under the terms of the SPA, Katoro will, on receiving consent for the Disposal from the Tanzanian Mining Commission in respect of section 110 of the Mining Act 2010 ('the Condition Precedent'), transfer 100% of Reef to LVG in return for a consideration of US\$1.0 million, payable pursuant to a convertible loan note instrument which provides for the issue of convertible loan notes by LVG to Katoro ('the Convertible Loan Notes').

### Shareholding

Subsequent to period end, Kibo Energy Plc's shareholding in the entity is below 50%, however, control has been maintained through its representation on the Board of Directors. Until this changes, Kibo Energy Plc will remain the ultimate controlling party of the entity.

### COVID-19 Update

Since the year end, it has become clear that the spread of the COVID-19 coronavirus will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed as at the balance sheet date, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact. The directors have set out the post year end impact on going concern in the relevant section to the Directors Report.

## 20. Assets classified as held for sale

On 22 August 2019, the Company entered into a term sheet with Lake Victoria Gold Limited ("LVG") covering the disposal of 100% of the equity interest held by Katoro in its wholly owned subsidiary, Reef Miners Limited ("Reef"), which owns the Imweru gold project and the Lubando gold project in northern Tanzania. Although the sale and purchase agreement with LVG has not been entered into to date, and LVG have requested extensions on the payment tranches to be made in accordance with the term sheet, the Board feels that the sale of Reef is in the best interest of the Company at this time and the directors are of the opinion that the sale is highly probable. The assets, together with the associated liabilities of Reef have therefore been classified as held for sale.

The proceeds of the disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, and accordingly no impairment loss has been recognised on the assets classified as held for sale.

The major classes of assets and liabilities in the disposal group classified as held for sale are as follows:

### **Assets**

|                           |       |
|---------------------------|-------|
| Cash and cash equivalents | 6,966 |
|---------------------------|-------|

### **Liabilities**

|                          |        |
|--------------------------|--------|
| Trade and other payables | 11,257 |
|--------------------------|--------|

## 21. 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.