

NATURAL



SELECTION

SAFARIS OF CHARACTER

Shareholder Report 2018

BOTSWANA • NAMIBIA • SOUTH AFRICA



PRIVATE & CONFIDENTIAL



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LIST OF ABBREVIATIONS

EBITDA	Earnings before interest, tax and depreciation	NSCT	Natural Selection Conservation Trust
FCS	FCS Auditors	NTT	Namibia Tracks and Trails
KDT	Khwai Development Trust	PKF	PKF International
KPR	Khwai Private Reserve	UA	Uncharted Africa
MM	Mkambati Matters (Pty) Ltd		



OUR PROFILE

COMPANY HISTORY

Established in 2014, Natural Selection is a conservation and nature-based tourism company with a collection of family-owned and community joint venture camps in remote wild places in Botswana, Namibia and South Africa. From the beginning, we have been about creating an excellent safari experience that gives back. Our original concept pre-2014 was a non-profit, but we soon realised that we'd make a much bigger impact if we became a commercial safari company with a conservation focus.

Today, we are fully committed to making a significant positive impact on wildlife conservation in Africa and have pledged 1.5% of our total revenue (not just our profit!) to conservation. In our first year of operation, this amounted to over 40% of our total profit. On the ground, we partner with a variety of companies, organisations, communities and individuals who all share our commitment to protecting and conserving Africa's wild places. Together, we believe that we can make a difference.

OUR VISION

We want to help reshape the impact of nature-based tourism on conserving protected wild places in Southern Africa - places our great-grandchildren's generation can be proud of and enjoy.

COMPANY HIGHLIGHTS

In 2015, we began with a representation contract for one camp. We now have portfolio of 19 camps (12 in Botswana, 7 in Namibia), a partnership with Namibia Tracks and Trails (NTT), and Lekkerwater Beach Lodge at De Hoop underway in South Africa.

In 2015, we employed 3 people, working from Dave & Jen's house in Cape Town. We now have a team of 43 staff in five reservations offices across SA, Namibia and Botswana with over 500 staff employed by the camps in the regions.

In 2016 we officially launched Natural Selection and sold approx. 2500 beds. By the end of 2018 we will have sold approx. 35,000 beds.

Our PR in 2018 has been outstanding, particularly around the launch of our Namibian properties, and Jack's Camp was featured in the prestigious Conde Nast Traveler US Gold List 2018.



KEY FACTS

- Our turnover for the year end Feb 19 will be in excess of BWP 160m and we are looking on track to deliver an EBITDA profit in excess of BWP 20m compared to BWP 2m in the prior year.
- We have raised USD 390,000 (R 5,5m) for conservation since conception. Jen and the team are starting to make our company conservation vision and purpose a reality.
- The Natural Selection brand has been well received in the market place and we have a strong agent base of 500+ in our various source markets, as well as an expanding direct sales contribution.

KEY FIGURES	YE Feb 2019	YE Feb 2018	YE Feb 2017
Total Properties	19	10	1
Total Beds	376	176	18
Office Staff	43	27	11
Camp Staff	537	342	65
Total Staff	580	369	76
Conservation Contribution	BWP 2,5m	BWP 1,3m	BWP 0,1m
Group Revenue	BWP 160m	BWP 46m	BWP 3m
Group EBITDA	BWP 21m	BWP 2m	BWP (7m)

WHERE WE OPERATE - Camps & Offices



PERMANENT CAMPS *coming soon



MOBILE SAFARIS



OFFICES



CEO'S STATEMENT

Preparing this update has been a great opportunity to reflect on the last few years at Natural Selection and to take stock of where we have come from, where we are at now, and what lies ahead. The following is a short, “non-brochure” history of Natural Selection that can’t be found on our website – and reveals just how far we have come since 2014.

2014 - 2016

Four years ago, in December 2014, Natural Selection was officially born. Dave and Jen had started a representation company in early 2014 and acquired a stake in Meno a Kwena and NTT – but they needed something more in order to achieve a significant return for conservation.

Meanwhile, Colin Bell was already dreaming of Mkambati and they teamed up in the new venture to look at these and other opportunities. Together, with the encouragement of Jose and his consortium, they established a new player in the safari world with a focus on returning to basics and a vision of helping reshape the impact of nature-based tourism and adding to the conservation of the places they loved most.

In the beginning, the team was essentially a reservations and sales office for Meno a Kwena, operated from Dave and Jen’s house. In 2015, they registered Natural Selection in Namibia to house the Namibian business, with Peter Koep playing an instrumental role in the success of many of the Namibian opportunities. Then, in 2016, the creative juices flowed and the Natural Selection concept and brand came into fruition and the zebra riding a bicycle became part of our everyday lives. Soon after, I joined the team as CEO to assist the team in keeping the zebra peddling on the path ahead!

Armed with Meno a Kwena, a team of people trusted by the industry, a whole host of dreams and aspirations, a pipeline of potential opportunities and sound advice from Greg Fury and Gary Macdonald we set out to conclude our capital raise in order to convert some of these dreams into a reality.

We concluded 2016 with a marketing contract for Meno a Kwena and Uncharted Africa and, most importantly, the financial support of the shareholders, a group of friends and industry colleagues. We literally had to wait until 31st December 2016 to know that we had secured Khwai Private Reserve (KPR), which was, at this point, Hyena Pan, Wilderness Tented Camp and Banoka (a very sad camp!), but we had the beginnings of something...

With high hopes for all to succeed, The Natural Selection Conservation Trust (NSCT) was formed in expectation of new streams of funding for conservation.

2017

It was in 2017 when our business dream started to become a reality and our portfolio and team started to grow. It was a wild, rollercoaster ride of successes, stresses, some disappointments and huge graft by the team. We had been warned at how tough it was to establish a business from scratch; I certainly underestimated that warning and I think all of us can confirm it is indeed true!

Up in KPR, Banoka Camp was rebuilt as Sable Alley, Hyena Pan was given a makeover and after much negotiations, fits and starts, our partnership with Ralph at Uncharted Africa finally came into effect in September 2017.

2017 also saw the beginnings of our Namibia team, the addition of Safarihoek and Etosha Mountain Lodge to our portfolio, the joining of the Uncharted Africa reservations team in Johannesburg, the exponential growth and focus of Dave's marketing team and the much welcomed additions of Margie Wells and Robert Turner to bolster Matt Johnson in the finance department. Important conservation partnerships were formed, and the Makgadikgadi Conservation Initiative was launched.

In the background, we amicably parted ways with a potential investor – but the upside was that you, our existing investors, backed us further and produced the balance of funding needed. I cannot emphasise enough the significance of this and how grateful we are to everyone for such a show of support for a fledgling operation! Thank you.

2018

After a wild 2017, 2018 started with a bang with the opening of seven new camps. In Botswana, we opened Pangolin Camp in KPR and Mapula and the Explorations Camp in NG12. Namibia saw the commencement of operations of Hoanib Valley Camp, Shipwreck Lodge and two new NTT camps. Here in South Africa we finally started building at De Hoop with the planning at Mkambati continuing.

Thanks to the amazing efforts of the marketing and reservations team, and the experience being delivered by our partners and operations crews on the ground, demand for our camps exceeded expectations. The reservations teams were literally run off their feet and finding new recruits to assist, who also fitted our culture, took time.

Our financial performance in 2018 has been ahead of budget and we are looking to exceed the group budgeted EBITDA for the YE Feb 2019.

I am very pleased to advise that to date we have raised close to USD 400k for the Natural Selection Conservation Trust and have twelve ongoing projects with carefully selected conservation partners.

2019

The ride will continue into 2019 with the following already planned (as well as plenty other potential opportunities!):

- *The opening of Tuludi in KPR (July 2019).*
- *The rebuilding of Jack's Camp.*
- *Pangolin Khwai in KPR coming back into the Natural Selection fold.*
- *The opening of Lekkerwater Beach Lodge at De Hoop.*
- *The development of Kwessiegat Farm in the Namibrand Nature Reserve in Namibia.*

Forward bookings for 2019 are looking very positive at this point and we are cautiously optimistic for another great year.





“THE OVERALL BIGGER PICTURE IS THAT WE NOW **STRATEGICALLY** HAVE OUR CORE BASES COVERED WITH A **GREAT PORTFOLIO** OF CAMPS AND **LOCATIONS** IN THE KEY GEOGRAPHIC AREAS.”

THE TOURISM BUSINESS ENVIRONMENT AND HOW NATURAL SELECTION IS PLACED

We are fortunate to have launched Natural Selection at a time when the global economic climate has been relatively stable and positive. Furthermore, despite the efforts of some of our politicians, Southern Africa is viewed as a stable and safe travel destination.

From a financial results point of view, the impact of the USD / ZAR exchange rate fluctuation is significant, with the Rand subject to extreme highs and lows over the last couple of years. In 2017, the Rand strengthened significantly against the USD which negatively impacted our results, but in 2018 we have seen a weakening of the Rand which has boosted our financial performance.

We are cognizant that this overall positive environment can change rapidly and have initiated a risk assessment and mitigation process for the group. Furthermore, we are looking to build our reserves to ensure we can ride out any negative cycles.

Whilst our growth and financial performance this year have both been ahead of expectation, it has not all been plain sailing. We underestimated the time it would take to conclude investments and to get new projects up and running. The reasons for the delays have been varied, but the single biggest factor has been government approval processes, which has been a challenge across all regions. By way of example, it took close on 12 months for our investment in Uncharted Africa to be approved, two years to conclude negotiations for Hoanib Valley Camp, and almost two years to obtain an Environmental Impact Assessment (EIA) for the development of Tuludi.

Botswana are holding elections in 2019 which has further stagnated decision making, and there is the usual politicking to take into consideration. Recently, President Masisi took the reigns from President Khama and there is however a general feeling that President Masisi will be good for Botswana.



During 2018, we faced some unexpected challenges. Poaching was certainly on the rise (both elephant and rhino) and we are collaborating with both the government and our industry partners (Wilderness Safaris & Great Plains etc.) as to how best we assist in mitigating the increasing threat. As noted in our operational update, the KPR is in a legal dispute with the KDT regarding our lease.

Some projects that were part of the initial proposed pipeline have not come into effect to date. These include Mkambati, Nkasa Rupara, the Sossusvlei camps, Chinamba Hills, and some targeted Botswana concessions. Whilst these projects have either been delayed or are no longer on the table, other opportunities have come our way and been actioned. These include Kwessiegat which is arguably a better substitute for the initial Sossusvlei camps, Shipwreck Lodge and our developments at NG12 in the Okavango Delta.

The overall bigger picture is that we now strategically have our core bases covered with a great portfolio of camps and locations in the key geographic areas. In Namibia, we have a circuit of remote, wilderness experiences in the prime areas whilst in Botswana we now have two Okavango Delta concessions complemented by the amazing Makgadigadi desert offering. This enables operators to book complete circuits with us, with options at all the various price points.

Further growth opportunities are currently being explored and more will cross our desks. These are interrogated by the Natural Selection Exco with suitable projects being presented to the Natural Selection board for appraisal and approval.

We have approx USD 2m of cash on hand in Mauritius for future developments and a further USD 2m of funds that have not been drawn from shareholders as yet. Timing of when this will be called will be dependent on the timing of when opportunities are concluded.

We are cognizant of the need to localise our business and will start the process of looking for suitable strategic empowerment partners in our various regions.

I guess clichés exist because they repeat so often. This brings me to teamwork. Absolutely none of this could happen without the efforts of an amazing team of people that are trusted by the industry, supported by a mix of complimentary skill sets and personalities.

Colin, Dave and Jen: without your initial vision, unfaltering positivity, hard graft and passion none of this would have started.

A huge thank you to our investors who took a leap of faith and backed our vision with the needed capital.

Thank you to our board of directors for giving the business your valuable time, insights and support to the Exco. Much of our good governance can be attributed to the guidance of our board.

The Exco and their respective teams for executing the roll out of Natural Selection brand in the market place and administrating a fast growing and complex business.

Our partners and operations teams out in the field. Thanks for the faith in the marketing team, for letting us into your world and for delivering amazing experiences on the ground!

In conclusion, whilst there is still much to do, the core foundation has been set to enable the fine tuning and continued growth of Natural Selection, an organisation that we can be proud of, that will deliver returns to our shareholders and make a difference in conservation, communities, governments and our people.

Thank you for your support!

“DESIGNED BY THE CREATORS OF THE KALAHARI LEGEND, JACK’S CAMP, **MAPULA** IS A **STYLISH** SAFARI OUTPOST WITH SERIOUS **PANACHE**.”
James Ramsay





FINANCIAL OVERVIEW

OVERVIEW

This past year has focused on:

- Bringing all properties into the reservations, revenue management and room inventory systems.
- Achieving standardisation and alignment of financial year ends, systems and processes across entities and bringing those entities into the Natural Selection reporting framework.
- Monitoring financial performance against budget, and communicating financial results for all entities on a monthly basis.

All 28 February 2018 financial year end audits have been signed off, except for the Mauritius hold company and the two Namibian entities. These are in the final stages of the sign off process and will be concluded shortly. In order to standardise audit firms across all entities, PKF has been appointed as the auditor for Natural Selection Mauritius and all Botswana entities for the FY20 year end audits. Moore Stephens will continue to audit Natural Selection South Africa and FCS (PKF affiliated firm) will continue to audit the Namibian entities. We anticipate this leading to a more efficient and streamlined audit process in the future.

FINANCIAL PERFORMANCE

Basis of Preparation

The financial performance of Natural Selection is presented on a "Notionally Consolidated" basis, which combines the operating results of the Mauritian and South African group entities. The Notionally Consolidated result is not a statutory reported result as there is no common parent entity for the Mauritian and South African hold companies. It is thus prepared in order to provide management, directors and shareholders with an overview of total, group-wide performance. The results are presented in Botswana Pula as Botswana currently represents the biggest share of profitability of the business and for comparative purposes against the major listed eco-tourism operators, which also report in Botswana Pula (namely Wilderness Safaris and Chobe Holdings). The financial year end of the group is 28 February.

The results presented can be broken down into two key categories:

1. Natural Selection Travel Shop and Operational Overhead

This reports the results of the Travel Shop businesses currently based in Cape Town, Johannesburg and Windhoek, which derives its margin by buying and selling bednights in underlying camps and revenue from selling other third party products and services (flights, hotel rooms, transfers etc.). The Natural Selection operational overhead costs include the Exco and other administrative and support staff.

2. Investments

This represents Natural Selection's share of the EBITDA of the underlying investment (whether controlled or not). For example, Natural Selection owns 50% of Uncharted Africa so only 50% of Uncharted Africa's achieved EBITDA is reported.

NATURAL SELECTION INCOME STATEMENT

Notional Consolidated August 2018 Year to Date (BWP '000)

	Current Year	Prior Year	Budget	Variance Prior Year	Variance Budget
NATURAL SELECTION TRAVEL SHOP & OPERATIONAL OVERHEAD					
GROSS PROFIT	22 887	11 521	19 736	11 366	3 151
Operating Expenses	(14 605)	(7 775)	(14 758)	(6 831)	153
NATURAL SELECTION TRAVEL SHOP EBITDA	8 282	3 747	4 977	4 535	3 305
GROSS Profit Margin	36%	33%	25%	4%	11%
INVESTMENTS					
Uncharted Africa - 50%	9 438	6 349	7 843	3 089	1 595
Khwai Private Reserve - 33.33%	2 269	(381)	1 023	2 650	1 246
Namibia Tracks & Trails - 30%	2 111	-	1 726	2 111	386
Shipwreck Lodge - 45%	(337)	-	92	(337)	(429)
Hoanib - 75%	(142)	-	(128)	(142)	(13)
De Hoop - 50%	-	-	-	-	-
NATURAL SELECTION SHARE OF INVESTMENTS EBITDA	13 340	5 968	10 555	7 371	2 785
NATURAL SELECTION TOTAL GROUP EBITDA - YTD	21 621	9 715	15 532	11 906	6 090
NATURAL SELECTION TOTAL GROUP EBITDA 12 mth FORECAST	21 925	2 046	14 833	19 879	7 092

COMMENTARY ON VARIANCES OF ACTUAL RESULTS VS PRIOR RESULTS AND BUDGET

	v Prior Year	v Budget
GROSS PROFIT	More saleable inventory from new camps coming on line, better occupancy and achieved bednight rates at existing operations and higher volume of 3rd party sales.	Higher occupancy rates at Sable Alley, San Camp, Camp Kalahari and Mapula and higher volume of 3rd party sales.
Operating Expenses	Higher expenses reflect significant growth in the business during the year which required additional resourcing. EBITDA Margins favourable compared to prior year.	Overheads in line with budget. EBITDA margin favourable due to strong gross profit performance.
Uncharted Africa	New inventory coming online (Mapula) and better occupancy rates across all operations.	Higher occupancy rates at San Camp, Camp Kalahari and Mapula and better than budget BWP / USD forex rates. Costs in line with budget.
Khwai Private Reserve	New inventory coming on line during the year (Pangolin, Elephant Pools/Tau Camp), better occupancy and achieved bednight rates at existing operations (Sable Alley & Hyena Pan).	Better than budget occupancy rates at Sable Alley, Hyena Pan and Sky beds and better than budget BWP / USD forex rates. Costs in line with budget.
Namibia Tracks & Trails	NTT only reported in Natutal Selcetion numbers from September 2018.	Better than budget sales volumes driven by continued strong demand for Namibian products.
Shipwreck Lodge	Shipwreck Lodge not trading in the prior year comparative period.	Lower than budget sales primarily driven by lower than budget full fee paying bed nights sold. Costs slightly above budget due to some unforeseen expenditures.
Hoanib	Hoanib not trading in the prior year comparative period.	Sales lower than budget due to slight delay in opening month. Costs also lower as a result. Overall tracking in line with budget EBITDA. Near break even result in year one.
De Hoop	De Hoop not trading in the prior year comparative period.	De Hoop has not traded on a YTD basis.



OPERATIONAL OVERVIEW

NATURAL SELECTION FOOTPRINT

Country	Camp	Region	Operated by	Number of Beds	Currency	High Season Rack Rates	NS Acquisition / Opening Date	NS% Ownership
Botswana	Sable Alley	Okavango Delta	Khwai Private Reserve	28	US\$	995	May-17	33%
Botswana	Pangolin Khwai Camp	Okavango Delta	Khwai Private Reserve	12	US\$	850	Mar-18	33%
Botswana	Hyena Pan	Okavango Delta	Khwai Private Reserve	16	US\$	625	Sep-16	33%
Botswana	Skybeds	Okavango Delta	Khwai Private Reserve	6	US\$	625	Sep-16	33%
Botswana	Tau Camp / Elephant Pools	Okavango Delta	Khwai Private Reserve	16	US\$	Series Camp	May-18	33%
Botswana	Camp Kalahari	Makgadikgadi	Uncharted Africa	24	US\$	795	Sep-17	50%
Botswana	Jack's Camp	Makgadikgadi	Uncharted Africa	20	US\$	1 690	Sep-17	50%
Botswana	San Camp	Makgadikgadi	Uncharted Africa	14	US\$	1 480	Sep-17	50%
Botswana	Planet Baobab	Makgadikgadi	Uncharted Africa	54	BWP	1 020	Sep-17	50%
Botswana	Mapula	Okavango Delta	Uncharted Africa	20	US\$	995	Apr-18	50%
Botswana	Explorations Camp	Okavango Delta	Uncharted Africa	14	US\$	996	Sep-17	50%
Botswana	Meno a Kwena	Boteti River / Makgadikgadi	Owner	18	US\$	795	May-15	Mgmt Contract
Total Botswana Beds				242				

Namibia	Hoanib Valley Camp	Hoanib	Natural Selection	14	NAD	11 000	Jun-18	75%
Namibia	Shipwreck Lodge	Skeleton Coast	Journeys Namibia	22	NAD	13 500	Jul-18	43%
Namibia	Safarihoek Lodge	Etosha Surrounds	Natural Selection	24	NAD	6 220	Mar-18	Mgmt Contract
Namibia	Etosha Mountain Lodge	Etosha Surrounds	Natural Selection	16	NAD	5 590	Mar-18	Mgmt Contract
Namibia	NTT Desert Hills	Sossusvlei	Namib Tracks & Trails	22	NAD	Series Camp	May-18	30%
Namibia	NTT Malunrus Tented camp	Twefelfontein	Namib Tracks & Trails	20	NAD	Series Camp	Jun-18	30%
Namibia	NTT Ozondjou Trails Camp	Damaraland	Namib Tracks & Trails	16	NAD	Series Camp	Sep-17	30%
Total Namibia Beds				134				
Total Natural Selection Beds				376				



“DEMAND FOR OUR CAMPS HAS SIGNIFICANTLY **EXCEEDED EXPECTATIONS,** AND COUPLED WITH A **FAVOURABLE EXCHANGE RATE,** THE FINANCIAL RESULTS AT AN OPERATIONAL LEVEL HAVE BEEN **EXCELLENT.**”

BOTSWANA

We have had a busy year in Botswana with the opening of Pangolin camp in Khwai Private Reserve as well as Mapula Lodge and the Explorations Camp in NGI2 for Uncharted Africa. Demand for our camps has significantly exceeded expectations and, coupled with a favourable exchange rate, the financial results at an operational level have been excellent.

Khwai Private Reserve (KPR)

Overall, KPR has performed extremely well this year. Strong occupancy rates at Sable Alley and Hyena Pan and favourable FX rates have contributed to revenue well above budget.

Aided by the predator habituation programmes implemented in previous years, the game experience has also exceeded expectations. Service standards have improved significantly over the year, although consistency does remain a challenge. Controls have improved dramatically with variable and fixed costs in line with budget. Forecast revenue for YE Feb 2020 shows good growth and support of the experience.

Khwai Development Trust (KDT) Legal Issues

We are currently in a legal dispute with the KDT. The KDT are our lessor and have alleged that the KPR was in material breach of lease agreement due to the non-completion of performance reviews of the partnership. We dispute these allegations and have a strong paper trail supporting our position.

The KDT served a summary judgement court notice on the KPR. Our legal team submitted our defence and we await the court ruling on this matter. Based on the facts at hand, and the opinion of our attorneys / legal advisors, we are confident in our position.

The relationship with the KDT is complex and has been strained. We are looking at strategies including facilitated negotiation and continued and extended community outreach, and an option approved by the board is to offer the Khwai community rights to all profits of one of the camps within KPR (namely Elephant Pools; see below) in return for a lease extension.

With the challenges above, our change in shareholding approval remains outstanding. We do, however, have options available to us.

Sable Alley

The camp has settled in very well over the year. Service standards continue to improve and training programmes will be implemented in the coming green season to prepare for 2020.

Hyena Pan & Skybeds

The camp has been given a boost with a soft furnishings refurb, a new pool, and a main area upgrade. Two new underground hides were developed, both of which offer guests an amazing elephant experience. Skybeds experience bedded down and is now a great asset to the Natural Selection brand.



Pangolin Khwai Camp

This camp was refurbished and opened on 1 March 2018. It was exclusively marketed by Pangolin Photo Safaris for 2018 but from 1 January 2019, Natural Selection will take over the marketing.

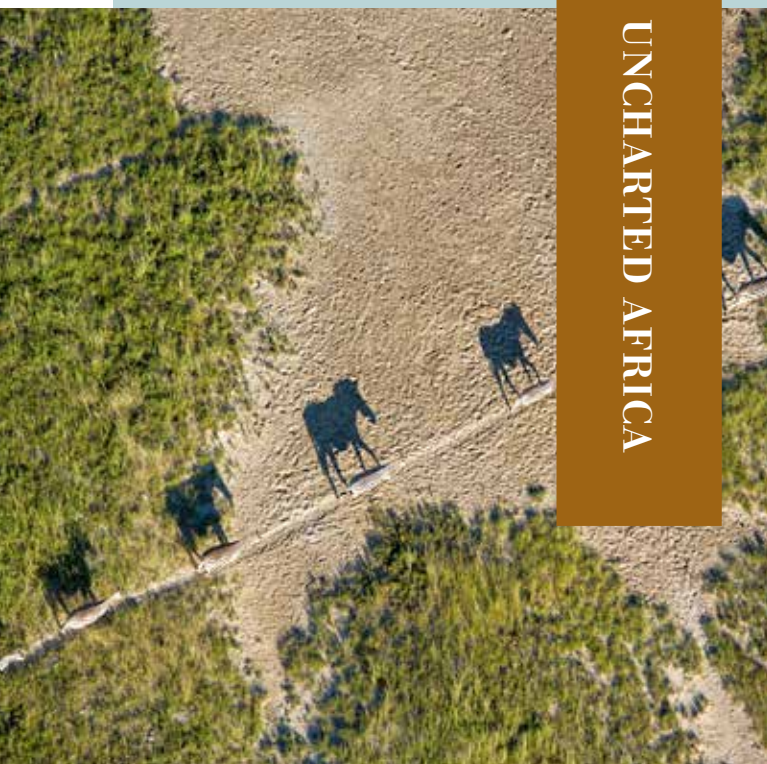
Tuludi

After a lengthy EIA process, the designs and budgets for Tuludi were approved in October. Building has commenced on site and we will open Tuludi in July 2019. Tuludi will be KPR's flagship camp and with 16 beds, it will compete with Wilderness Safaris and Great Plains.

Elephant Pools Camp

This camp will open in early 2019 to cater for the more affordable series market.

UNCHARTED AFRICA



2019 has been another great year for Uncharted Africa, Mapula Lodge and Explorations Camp both opening in NG12, adding another area to Uncharted Africa's suite of camps.

NG12 Mapula Camp & Explorations Camp

The strategy of twinning the mobiles and Mapula Lodge in the same area has worked better than expected, and the concession will exceed the budgeted profit for the year. Mapula Lodge was given a limited refurbishment and opened on time in April 2018. Demand for the camp has exceeded expectation but further refurbishment is required to prepare for the 2019 season and to avoid reputation damage.

A management plan is currently underway for NG12 and we anticipate that further development opportunities may present

CT11 Jack's Camp, San Camp, Camp Kalahari & Planet Baobab

The game experience in the Makgadikgadi region has been exceptional this year following two good seasons of summer rainfall.

USD revenue has exceeded budget across the Makgadikgadi camps with favourable FX rates contributing to revenue well in excess of budgets.

Jack's Camp is scheduled to be rebuilt from October 2019, to commence operation in May 2020, and all tents will have aircon and a private plunge pool.

A solar farm is to be installed in the coming low season so that Jack's Camp will be run fully on solar for the 2019 season.

Following the storm in 2017, all tents at San Camp were replaced for the 2018 season. A new swimming pool was also installed.

A new family unit was added at Camp Kalahari and the pool was upgraded. Several new vehicles have been added to the fleet and various other front and back of house projects have been completed.

MENO A KWENA

Revenue has been ahead of budget.

A new park boundary fence is being erected to the east of the camp, which will dramatically enhance the guest experience but building has unfortunately been delayed due to a dispute between government and the contractor.

We are hopeful that this will be finalised in 2019. A new family tent was added to Meno a Kwena in June 2018.

NAMIBIA

2018 has been a huge year of development in Namibia, with the build of both Hoanib Valley Camp and Shipwreck Lodge, as well as the formalised uptake of the management contract of Safarihoek and Etosha Mountain Lodge. Furthermore, Namibia Tracks and Trails built two new camps bringing the total to six new products in 2018!

Namibia Tracks and Trails (NTT)

Natural Selection acquired a 30% stake in NTT in Sept 2017 and the company is trading well and delivering solid results. NTT built two tented camps at Twyfelfontein and Sossusvlei for group series business that opened at the end of May 2018

Hoanib Valley Camp

Natural Selection is a 75% shareholder in Hoanib Valley Camp with NTT holding the remaining 25%. The camp opened on 1 June 2018 and was built under budget, and has already received excellent PR and guest feedback. Budgeted revenue & EBITDA will be achieved. The road transfer between Hoanib Valley Camp and the Skeleton Coast along the Hoarusib River was also finalised.

Shipwreck Lodge

Shipwreck Lodge opened on 1 July 2018 and is managed by Journeys Namibia. The PR has already been outstanding, mainly from Natural Selection who have been heavily promoting it, and bookings are strong for 2019.

Etosha Heights

Natural Selection formally commenced managing and marketing the camps in Etosha Heights Private Reserve from 1 May 2018 and revenue and EBITDA have significantly exceeded budget for the year. A private gate into the National Park with access to salt pans and waterholes is being investigated. Etosha Heights and other investors are looking at acquiring bordering land and eventually becoming part of a proposed "Rhino Belt" along the southern section of Etosha National Park. 2019 will see an extension of beds at Etosha Mountain Lodge and a new tented camp is to be built for 2020.



Nkasa Linyanti

There is currently a dispute over the concession boundary in the area, resulting from recent engagements with the Namibian authorities regarding funding for access bridges. The MET have indicated that they made an error in the concession contract awarded to Natural Selection. The proposed concession is significantly smaller and also will allow for general public access to much of the area we would be operating in. We cannot operate at Nkasa on the reduced exclusive zone proposed, and are in discussion with MET as to how to move forward. A presence at Nkasa would help vastly reduce the poaching in Botswana that is currently stemming from Namibia.

Kwessiegat

Natural Selection's offer of N\$14m to acquire the farm Kwessiegat in the NamibRand Nature Reserve was accepted by the owner. We are awaiting government approval for the land transfer which is expected soon. Various site visits have been taken in order to locate a lodge site on the dunes and the plan is to build a simple tented camp in 2019, with a luxury lodge to open in 2020.



DE HOOP NATURE RESERVE

Natural Selection have partnered with a consortium of SA inbound operators, Colin and Heather Bell and Chris and Monique Fallows. NS is a 50% shareholder.

The project involves two lodge sites that are 12km apart. Building has commenced at Lekkerwater with the lodge due to open in April 2019 and a two-night plan is being adapted here.

The development of the second lodge, 12km to the east of Lekkerwater, is planned for development in around two years.

SOUTH AFRICA

MKAMBATI

The rights to develop at Mkambati Nature Reserve are owned by a trust that represents almost 40,000 Pondo people who live further inland.

The trust has entered into a lease agreement with Mkambati Matters (Pty) Ltd (MM) to exclusively develop the tourism offering on the reserve.

Mkambati Matters have received an initial term sheet from the IDC for a R25m loan to develop at Mkambati. Negotiations are in final stages regarding the guarantee requirements, interest rates and other terms. Build commencement will be subject to negotiating these terms and once agreed, Natural Selection will acquire a 15-20% share in Mkambati Matters.

“A **HOMELY & COMFORTABLE** BEACH EXPERIENCE IN THE MAGICAL **DE HOOP RESERVE**, CHOSEN BY EX-PRESIDENT FW DE KLERK TO BE HIS ‘CAMP DAVID’ DUE TO ITS **EXTRAORDINARY BEAUTY.**”





MARKETING, SALES & PR

We have presented Natural Selection as a collection of family-owned businesses that will offer extraordinary experiences in areas of great wildlife and landscape across Southern Africa, as well as offering authentic cultural interactions. Our portfolio of properties is strategically aligned and driven by our brand architecture.

OVERVIEW

From the start, we have tapped into our network of the biggest and best suppliers of safaris to Africa all over the world. The best way to tell our story is in their territory: the offices and homes of these companies and to the whole staff of the organisation, not just the owners and directors. We have presented to the real people that sell safaris, the consultants that work at a desk, 9-5, five days a week.

These are the key people we are targeting and we are confident we have covered the top agents all over the world.

At the same time, we have spent time strategising with marketing directors, general managers and owners, often staying a few nights with them and their families, many of them we have known for 20+ years and some for 30+ years. They are our friends and our relationships with them are strong.

In addition to overseas trips, we have presented at a dozen trade shows and exhibitions across the world and communicated by phone, email, social media to agents globally. We have also led educational trips to the areas we operate in, targeting our top agents, media, and influential operators.

We have built teams in Cape Town, Johannesburg and Windhoek, which include marketing, reservations, brand, PR, advertising, website, social media, direct and online communications divisions, as well as finance and accounts departments. We also plan to open a new sales and marketing office in Maun in early 2019.

Our aim is to continue maximising bed nights but still adhere to Botswana's high-cost low volume model. At Natural Selection, we have employed a generous child policy at all our camps and have simplified and standardised seasons to facilitate ease of bookings at multiple camps.

AGENT CHANNELS

Creating and fostering personal relationships with our key suppliers and the trade is paramount to the success of our business. Leveraging the strong existing relationships Natural Selection has is key.

Agent educational visits to our camps are one of the most important marketing tools! If they don't see the product, they won't sell it in volumes, and agents love spending time with the passionate owners, guides, camp managers and folks from the grassroots of the organisation.

We reach the trade by:

- Exhibiting at key international trade shows.
- Attending major international agent roadshows.
- Marketing staff visiting agents in all of our key regions.
- Offering generous familiarisation rates for agents to all camps.
- Running regular webinars to our key suppliers.
- Targeting family travellers and repeat clients.
- Utilising well-known sales representatives in key markets such as North America, the UK, Scandinavia and Germany.
- Targeting key sales people and agency owners through personal relationships.



PR

2018 saw an unprecedented level of press coverage for the brand, and our new Namibia properties in particular. The executive team are of the view that they have never seen such a successful global media campaign delivered by any other safari company.

The campaign began in the first quarter of the year when Natural Selection's camps in Namibia were placed as "where to go in 2018" across a range of high-end consumer titles including Bloomberg, Architectural Digest, Forbes, the Financial Times and Travel & Leisure. Quarter two and three saw the first full length feature articles on Hoanib and Shipwreck in the British media, with highlights including the Financial Times, the Times, How to Spend It and Conde Nast Traveller. As the year draws to a close, Shipwreck has secured a place on the prestigious Tatler Travel Guide (UK) and the first full length feature for Natural Selection in the American market in Travel & Leisure magazine.

Beyond Namibia, press coverage was strong for the group, with Jack's Camp retaining its position on the prestigious "Gold List" on both sides of the Atlantic, and Sable Alley and Mapula commanding column inches in both the USA and the UK. We also embarked upon a dedicated, South African media campaign to launch the Natural Selection Explorers Club, which has already generated good visibility with more to come in the first quarter of 2019.



“THE LANDSCAPE IS **PURE MELODRAMA: FAIRY CIRCLES** NO ONE CAN EXPLAIN AND RIVERS THAT NEVER REACH THE SEA...”

Stanley Stewart, Conde Nast Traveller, 2018



DIGITAL CHANNELS

While personal relationships are important, we also understand the power of social media and our online channels. As such we are active across Facebook, Instagram, Twitter, Pinterest, LinkedIn and TripAdvisor and have a dedicated online content team.

We have a growing online presence on Facebook and Instagram and aim to increase our following across all channels by 7-10%. MailChimp newsletters and press releases are sent out weekly to 11,000 subscribers and include dynamic, clickable maps, photo and video galleries, and social media integration and are also linked to online booking platforms, blogs, product details and e-brochures. Our social media posts have focused on maintaining the quirky style that personifies the brand and that is already in use on the website and the agent itineraries. The posts are very much image led and recently, we have introduced more carousel and multiple image posts. Wildlife and camp interiors have been the core content of the posts and engagement is from a combination of travel agents and the public.

Natural Selection

Uncharted Africa

Meno a Kwena

	Natural Selection	Uncharted Africa	Meno a Kwena
Facebook Followers	3,114	5,153	4,491
Instagram Followers	5,049	4,096	1,615

The new website is already receiving about 200 unique visitors per day (6,000 per month). It is also generating c. 30 conversion/leads per months through form submissions:

- 50% of traffic is coming via organic search.
- 30% is direct.
- 15% is referral (from other sites).
- 15% is from social media and email.
- The current conversion rate is about 5%.
- The goal is to get it up to 20% next year.

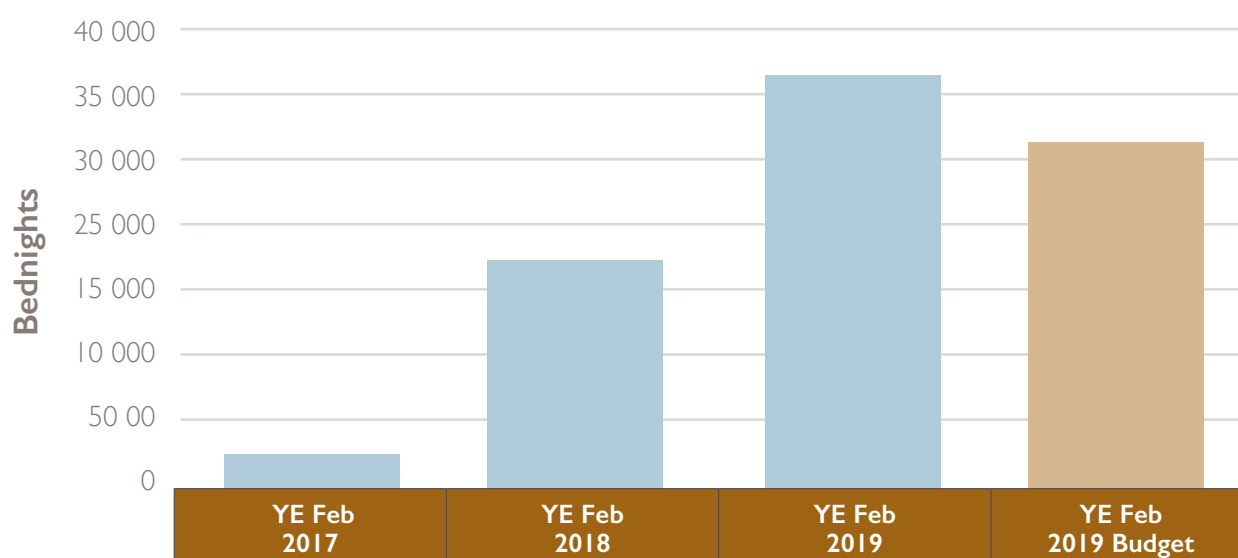
NET TO CAMP REVENUE (USD '000)

	YE Feb 2018	YE Feb 2019	YE Feb 2019 (Budget)	% Diff (Act vs budget)	% Diff (Act vs PY)
Khwai Private Reserve	1,347	3,303	2,855	16%	145%
Uncharted Africa	3,551	5,513	5,316	4%	55%
Meno a Kwena	691	814	767	6%	18%
Uncharted Africa Flying	-	2,367	2,343	1%	-
Hoanib Valley	-	351	325	0%	-
Shipwreck Lodge	-	662	757	-13%	-
Etosha Heights Private Reserve	-	840	724	0%	-
GRAND TOTAL	5,589	13,849	13,087	5%	148%

USD nett to camp revenue for the YE Feb 2019 has increased from USD 5,5m to USD 13,0 m (145% increase to the prior year and is 6% up on budget).

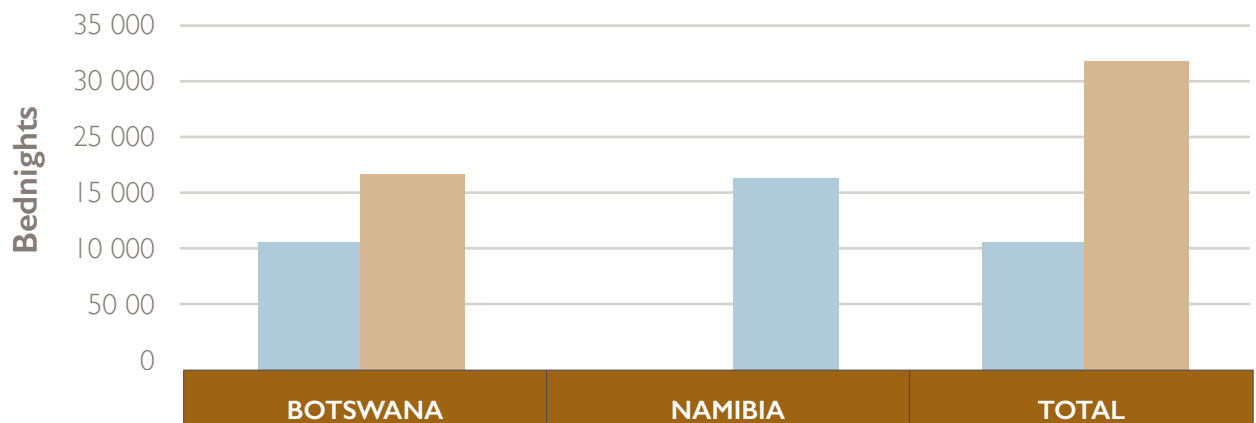
With the exception of Shipwreck Lodge, all entities have exceeded budgeted revenue for the year.

TOTAL BEDNIGHTS SOLD PER ANNUM



Bednights sold by Natural Selection have increased from approx 2,500 beds in YE Feb 2017 to 35,000 beds for YE Feb 2019.

FORWARD BEDNIGHTS FOR YE FEB 2020 COMPARED TO SAME TIME LAST YEAR FOR YE FEB 2019



	BOTSWANA	NAMIBIA	TOTAL
YE Feb 2019	10,157	-	10,157
YE Feb 2020	16,095	15,448	31,543

This graph illustrates the number of bednights sold (confirmed and provisional) for the YE Feb 2020 as at Mid November 2018 compared to the number of beds sold for the YE Feb 2019 as at the same time last year.

Botswana bednights sold are approx 60% up compared to the same time last year.

With Namibia being new this year, we did not have any bednights pre-sold last year.

In total, our revenue for the group is in excess of 200% up on the prior year.





CONSERVATION

INTRODUCTION

THE NATURAL SELECTION CONSERVATION TRUST

Natural Selection is dedicated to playing a significant role in the protection of wilderness areas and wildlife of Africa. This will be carried out not only through the way we operate, but also by donating 1.5% of our turnover to conservation. The Natural Selection Conservation Trust is an independent, non-profit organisation that has been established in Botswana to administer the donated funds so that supported conservation projects are making a real difference on the ground.

Five trustees who bring different expertise to the board:

- **Dr. Jennifer Lalley**
representing Natural Selection; conservation scientist; conservation tourism
- **Dr. Julia Mambo**
landscape scale assessments; climate change; poverty alleviation
- **Dr. Tico McNutt**
foremost conservation scientist in Botswana; carnivore conservation
- **Lesley Boggs McNutt**
conservation anthropologist; project monitoring and assessment
- **Dr. Susie Ellis**
global conservation scientist; rhino conservation; non-profit management

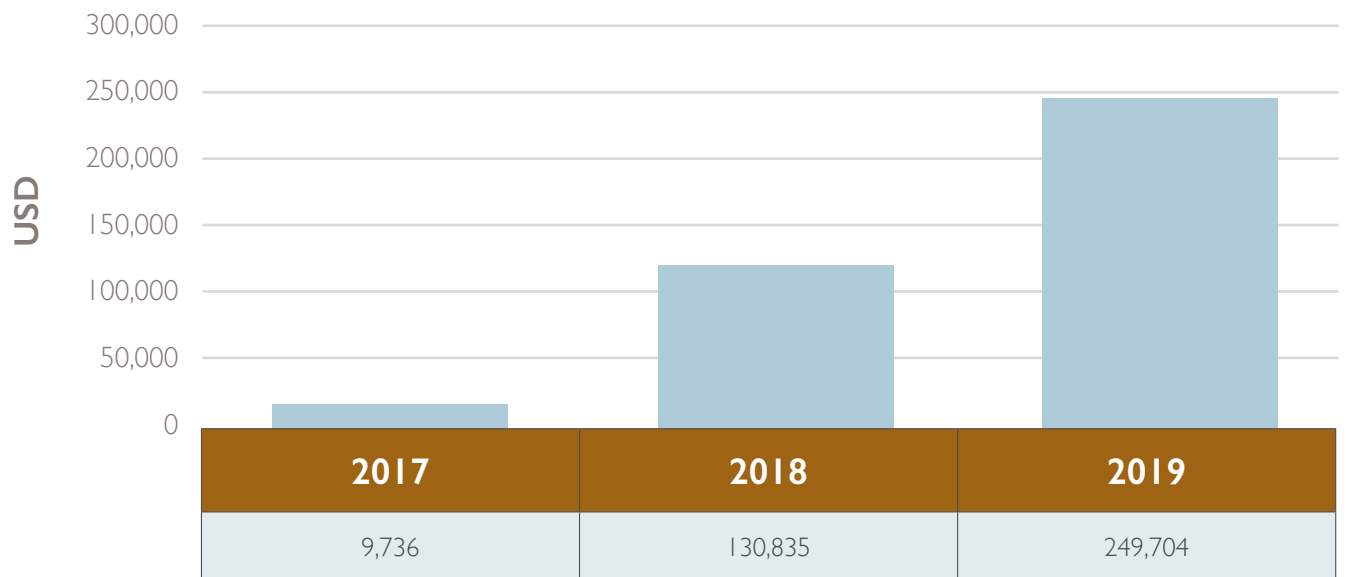
The purposes of the NSCT are to provide benefits to the global public by promoting the protection of Africa's natural heritage:

1. To aid preservation of Africa's native wildlife in its natural environment;
2. To promote the protection of wildlife areas;
3. To promote education about the plight and preservation of Africa's wildlife;
4. To promote community wildlife conservation initiatives;
5. To engage, promote and assist in any manner directly or, indirectly, individuals, movements, groups and organisations who are endeavouring to preserve wildlife in Africa;
6. To do all such things as are conducive to the provision, supply and promotion of the above objects.

DISTRIBUTION OF FUNDS

Of the funds collected via a particular camp or lodge, 60% automatically goes to projects selected in the area surrounding that camp or lodge. Projects are chosen by a local committee and approved by the NSCT board of trustees. The selected long-term project (three years minimum) receives the majority of those funds and no more than 30% of the funds are used for short-term secondary conservation projects. The NSCT reserves 35% of collected funds for use on larger-scale and regional conservation initiatives, on emergency conservation needs, and on monitoring and evaluating all NSCT supported projects. Additionally, 5% is retained by NSCT for administration costs, namely banking and accounting costs. The below chart illustrates the distribution of funds.

CONSERVATION CONTRIBUTION



Natural Selection has contributed a total of 390,000 USD to conservation to date.



BOTSWANA



PROJECT UPDATES

MAKGADIGKADI (JACK'S, SAN CAMP, CAMP KALAHARI & MENO A KWENA)

- **Project:** *Makgadikgadi Conservation Initiative*
- **Partner:** *Round River Conservation*
This project aims to support and expand large mammal migration routes between northern Botswana and Makgadikgadi National Park and the Kalahari Desert. A path of least resistance will be identified by collecting data on existing wildlife and cattle movements and seasonal land use. By working with communities and area stakeholders, the long-term goal is to identify and help implement mutually beneficial, wildlife-friendly land use practices.

MAPULA LODGE

- **Project:** *Natural Selection Elephant Shuttle*
- **Partner:** *EcoExist*
Working with EcoExist who have identified human-elephant conflict zones, we are setting up the 'Natural Selection Ele Shuttle' to safely transport school children, reducing pedestrian interactions with the elephants and therefore conflicts.

KHWAI PRIVATE RESERVE

- **Project:** *Leopard population dynamics and conservation in Khwai*
- **Partner:** *Botswana Predator Conservation Trust, Okavango Research Institute and the University of South Wales*
This project investigates the population dynamics and survival strategies of the leopard population that spans from Khwai village to unexplored Mopane woodlands in the north.

- **Project:** *Herbivore surveying in KPR*
- **Partner:** *Round River Conservation*
Teams of researchers have been carrying out herbivore assessments three times a year, looking at the population and distribution of herbivores. Rangers have also gained important research skills.

- **Project:** *Support and monitoring of grass cutting activities inside KPR*
This project supports harvesters with safe accommodation, food, and transportation of harvested grass. KPR rangers also work with the harvesters to maintain a low footprint during this period with the least disturbance to wildlife and future harvesting areas.

- **Project:** *Baobab protection*
In an effort to protect the last four baobabs in Khwai Private Reserve, protective enclosures are being built around the trees to assist in their protection. The enclosures will also allow for monitoring equipment to be introduced in the future.

KPR AND MENO A KWENA

- **Project:** *Connecting Classrooms for Conservation*
- **Partner:** *Coaching for Conservation*
This program uses Natural Selection lodges as "classrooms", in which young visitors can partake in interactive conservation games that link to and support Coaching for Conservation's (C4C) program for local children. Young visitors can bring Africa's conservation messages and the C4C link back to their schools overseas and be part of a growing network of kids who care, while C4C can expand their reach to more villages.

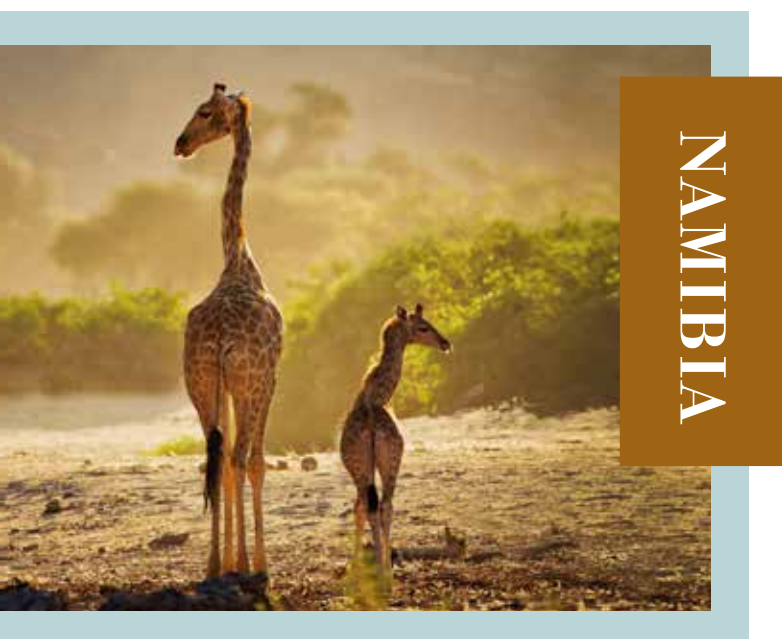
MENO A KWENA CAMP

- **Project:** *Children's Environmental Club in Moreomaoto Village Primary School*
- **Partner:** *Elephants for Africa*

We have partnered with Elephants for Africa to develop an Environmental Club in Moreomaoto Village Primary School with funding and logistical support from the camp, including camp staff involvement in the teaching.

- **Project:** *Living-with-wildlife strategy workshops for Moreomaoto Village*
- **Partner:** *Elephants for Africa*

This project provides solutions in and around the Moreomaoto Village for farmers and residents to live with the recent resurgence of the migration, particularly the movement of elephants that notoriously conflict with village livelihoods. Workshops will include understanding wildlife behavior and conflict preventing farming strategies such as chilli farming and the consolidation of agricultural plots.



NAMIBIA

HOANIB VALLEY CAMP

- **Project:** *Desert Giraffe Conservation in North-west Namibia*
- **Partner:** *Giraffe Conservation Foundation*

Giraffes across Africa are under threat and the Giraffe Conservation Foundation, together with Natural Selection, is creating a strong presence in northwest Namibia to further our understanding of this Angolan sub-species and create awareness on the plight of the giraffe.

ETOSHA HEIGHTS

- **Project:** *Anti-poaching*

An anti-poaching camp and team has been established in Etosha Heights Reserve to protect the rhino population and to prevent illegal hunting along the boundaries. The dedicated rangers go through intensive training and are dispatched 24 hours a day.

SHIPWRECK LODGE

- **Project:** *Desert Lion Conservation – early warning, conflict mitigation system*
 - **Partner:** *The Desert Lion Conservation Project.*
- Using new technology, the project is implementing an automatic monitoring and early warning system to prevent conflict between the lion population of northwest Namibia and livestock herders. Using high-tech communications software, the system warns farmers of nearby lions so herders can corral livestock and prevent predation.

ETOSHA HEIGHTS

- **Project:** *Etosha Rand Lion Project*

The project is working towards best practices for managing lions in reserves. Whilst data on EH lions has been collected for years, it is now being culminated into this targeted project. Natural Selection guides and guests assist with data collection at lion sightings.

WINDHOEK

- **Project:** *The Khomas Environmental Education Program*
 - **Partner:** *Giraffe Conservation Foundation*
- Integrated with the national school curriculum, this program is a fun, hands-on experience in the bush designed to connect urban children to nature and build their interest in the environment. It will focus on under-resourced primary schools within impoverished areas.