Company registration number: 10796849 (England and Wales)

KAVANGO RESOURCES PLC

(formerly KAVANGO RESOURCES LIMITED and F2D MINERALS LIMITED)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

KAVANGO RESOURCES PLC

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KAVANGO RESOURCES PLC

COMPANY INFORMATION

Directors	Michael Foster Charles Moles Douglas Wright
Company Secretary	John Forrest
Registered Office	46 New Broad Street London EC2M 1JH United Kingdom
Company Number	10796849 (England and Wales)
Independent Auditors	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD United Kingdom

KAVANGO RESOURCES PLC

STRATEGIC REPORT

The Directors present their strategic report on the group for the year ended 31 December 2017.

Principal Activity

The Company was incorporated on 31 May 2017. On 7 December 2017, Kavango Resources Plc acquired the entire issued share capital of Navassa Resources Ltd by way of a share for share exchange. This led to the shareholders of Navassa Resource Ltd acquiring the controlling interest in Kavango Resources Plc. As a result, Navassa Resource Ltd is considered to be the legal acquirer and the transaction has been accounted for using the reverse acquisition accounting method. 2017 financial statements are those of Kavango Resources Plc group and prior year financial statements are those of Navassa Resources Ltd and its subsidiary.

Following acquisition of Navassa Resources Ltd the principal activity of the Group is nickel exploration in Botswana. The Group is at the early exploration stage and is yet to identify mineral deposits in the areas for which it holds licenses.

Under the terms of the acquisition, the Group shares should be admitted to trading on London Stock Exchange by a set pre-defined date. Should this not happen, former Navassa shareholders hold option to repurchase their Navassa shares for an aggregate amount of $4. These options will lapse on admission.

Business risk review

The Directors have identified the following principal risks in regards to the Group's future. The relative importance of risks faced by the Group can, and is likely to, change as the Group executes its strategy and as the external business environment evolves.

Strategic
Strategy risk
The Group's strategy may not deliver the results expected by shareholders. The Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, together with progress in implementing the strategy, and modify the strategy as may be required based on developments. Key elements of this process are the Group's monthly reporting and regular Board meetings.

Concentration risk
The Group has one core asset being the Kalahari Suture Zone (KSZ) Project. This is a very large area, approximately 7000km2 , which mitigates against this risk. Nevertheless the Board understands the importance of regularly reviewing its strategy of focusing on one area and of regularly assessing other opportunities in the Botswana market.

Operational
Exploration risk
The KSZ Project may not result in exploration success. There is no certainty of success from the existing portfolio of licences. The Group seeks to mitigate the exploration risk through the experience and expertise of the Group's specialists.

Other business risks
In addition to the current principal risks identified above and those disclosed in Note 3a, the Group's business is subject to risks relating to the financial markets and the metals markets. The buoyancy of both the aforementioned markets can affect the ability of the Group to raise funds in future. The Group has identified certain risks pertinent to its business including:

Strategic and Economic
- Business environment changes
- Limited diversification

Operational
- Difficulty in obtaining, maintaining or renewing Licences/ Approvals

Commercial
- Failure to maximise value from KSZ
- Loss of interest in key assets
- Regulatory compliance and legal

Human Resources and Management Processes
- Failure to recruit and retain key personnel
- Human error or deliberate negative action
- Inadequate management processes

Financial
- Restrictions in capital markets impacting available financial resources
- Cost escalation and budget overruns
- Fraud and corruption

STRATEGIC REPORT (CONTINUED)

The Directors regularly monitor such risks, using information obtained or developed from external and internal sources, and will take actions as appropriate to mitigate these. Effective risk mitigation may be critical to the Group in achieving its strategic objectives and protecting its assets, personnel and reputation. The Group assesses its risk on an ongoing basis to ensure it identifies key business risks and takes measures to mitigate these. Other steps include regular Board review of the business, monthly management reporting, financial operating procedures and anti-bribery management systems. The Group reviews its business risks and management systems on a regular basis.

Business review

Following acquisition of Navassa Resources Ltd, the Group raised US$306,000 through a private placement. Through Navassa, the Group is pursuing exploration projects in Botswana.

Key performance indicators

The key performance indicators in assessing the completion of this activity that are monitored on a regular basis are:

- Progress of bankable feasibility study, monitoring licence commitments and environmental compliance;
- Cash management – sufficient to meet its obligations as they fall due.

The Group cash at 31 December 2017 was US$386,000 (2016: US$19,000).

On behalf of the Board:

Michael Foster
Director
2 July 2018

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2017. Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes the principal activity, business review, principal risks and uncertainties.

General Information

The Company was incorporated as F2D Minerals Limited on 21 May 2017 in England & Wales where it is domiciled.

On 7 December 2017, the Company successfully completed the acquisition of Navassa Resources Limited which resulted in F2D becoming the holding company for an early stage nickel exploration group with operations in Botswana.

Following the acquisition, the Company changed its name to Kavango Resources Limited on 28 December 2017 and then re-registered to a public limited company on 24 January 2018.

The principal activity of the Group is described in the Strategic Report.

Dividends

The Directors do not recommend payment of dividends (2016: US$Nil).

Directors

The Directors of the Company during the year ended 31 December 2017 were:

Michael Foster

John Forrest (resigned on 6 February 2018)

The Directors of the Group and the Company at the date of this report and their interests in the ordinary share capital of the Company were:

Director	31 December 2017
Michael Foster*	6,785,001
Charles Moles	12,092,500
Douglas Wright**	8,245,001
John Forrest (resigned on 6 February 2018)	7,064,998

* Includes 1,000,000 ordinary shares held by Teresa Foster, Michael Foster's wife.

** Includes 730,000 ordinary shares held by Lesley Wright, Douglas Wright's wife.

The Group remunerates the Board at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Group with regard to this issue. Details of Directors' emoluments are set out in Note 6 to the Financial Statements.

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the year and remain in force at the date of this report.

Financial risk management

Note 17 of the financial statements details the financial risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the current and prior year.

DIRECTORS' REPORT (CONTINUED)

Going concern

The Group has prepared cashflow forecasts for 12 months from the date of signing the Financial Statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence though 31 December 2018, as projected. However, there can be no assurance that the Group's projects will be fully developed in accordance with current plans or completed on time or to budget. Future work on the development of these projects, the levels of production and financial returns arising therefrom, may be adversely affected by factors outside the control of the Group.

The financial statements have therefore been prepared on a going concern basis and do not include the adjustments that would result if the Group and Company were unable to continue in operation.

Post reporting date events

Details of post reporting date events are disclosed in Note 21 of the financial statements.

Future Developments

To comply with the terms of the acquisition of Navassa Resources Ltd, the Directors are preparing to list the Company at the London Stock Exchange.

Funds raised privately in December 2017 have enabled the Group to carry out geophysical work on KSZ area which enabled the Directors to narrow the focus of future evaluation activities. The Group also plans to drill at the Ditau licence site (KSZ Project PL169/2012) where previous surveys carried out by Kavango Minerals have already identified targets for further investigation.

Provision of Information to Auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The Directors review the terms of reference for the auditor and obtain written confirmation that the firm has complied with its ethical code on ensuring independence. The level of fees charged is reviewed by the Board to ensure they remain competitive and to ensure no conflicts of interest arise.

Annual general meeting

This report and the Financial Statements will be presented to shareholders for their approval at the Company's Annual General Meeting ("AGM"). The Notice of the AGM will be distributed to shareholders together with the Annual Report.

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 2 July 2018 and signed on its behalf by

Michael Foster
Director

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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 requirements of 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.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Michael Foster
Director
2 July 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KAVANGO RESOURCES PLC

Opinion

We have audited the financial statements of Kavango Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 in relation to Going Concern

We draw attention to note 2e) in the financial statements which identifies conditions that may cast doubt on the Group's ability to continue as a going concern. The Group incurred a net profit of US$5,945, had net current assets of US$222,041 and is not expected to generate any revenue and positive cashflows from operations in the 12 months from the date at which the financial statements were signed.

The financial statements have been prepared on the going concern basis. The ability of the Group to meets its expenditure requirements and develop its projects is dependent on successfully raising funds on the open market.

As stated in note 2e), these events or conditions along with other matters set forth, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and Company to continue as a going concern. Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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
TO THE MEMBERS OF KAVANGO RESOURCES PLC (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
2 July 2018

1 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US$	2016 US$
Continuing operations			
Administrative expenses	**4, 6**	(44,242)	(7,800)
Other income		50,000	-
Foreign exchange gain		187	-
Profit/(Loss) before taxation		5,945	(7,800)
Taxation	**8**	-	-
Profit/(Loss) for the year attributable to owners of the parent		**5,945**	**(7,800)**
Other comprehensive income: **Items that may be subsequently reclassified to profit or loss**			
Currency translation difference		121,010	6,966
Total comprehensive income for the year attributable to owners of the parent		**126,955**	**(834)**
Earnings per share			
Basic and diluted (cents)	**9**	**0.01**	**(0.03)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 US$	31 Dec 2016 US$
Non-current assets			
Intangible assets	**10**	2,359,425	2,005,953
Fixed assets		1,610	2,221
Total non-current assets		2,361,035	2,008,174
Current assets			
Trade and other receivables	**12**	142,256	42,711
Cash and cash equivalents	**13**	386,417	18,748
Total current assets		528,673	61,459
Total assets		**2,889,708**	**2,069,633**
Current liabilities			
Trade and other payables	**13**	146,241	6,593
Amounts due to shareholders	**18, 20**	160,391	763,343
Total liabilities		306,632	769,936
Net current assets/(liabilities)		**222,031**	**(708,477)**
Net assets		**2,583,076**	**1,299,697**
Equity			
Called up share capital	**15**	100,063	1,200,000
Share premium	**15**	3,760,890	-
Foreign Currency Exchange Reserve		189,522	(17,736)
Reorganisation reserve	**11**	(1,590,777)	-
Retained earnings		123,378	117,433
Total equity		**2,583,076**	**1,299,697**

This report was approved by the board and authorised for issue on 2 July 2018 and signed on its behalf by:

……………………
Michael Foster
Director

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017

Company registration number: 10796849 (England and Wales)

	Notes	31 Dec 2017 US$
Non-current assets		
Investment in subsidiaries	**11**	3,500,000
Total non-current assets		3,500,000
Current assets		
Trade and other receivables	**12**	135,505
Cash and cash equivalents	**13**	348,653
Total current assets		484,158
Total assets		**3,984,158**
Current liabilities		
Trade and other payables	**14**	133,603
Amounts due to shareholders	**18, 20**	23,143
Total liabilities		156,746
Net current assets		**327,412**
Net assets		**3,827,412**
Equity		
Called up share capital	**15**	100,063
Share premium	**15**	3,760,890
Retained earnings		(33,541)
Total equity		**3,827,412**

Kavango Resources Plc has used the exemption grated under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after tax loss attributable to Kavango Resources Plc for the period ended 31 December 2017 was US$33,541.

This report was approved by the board and authorised for issue on 2 July 2018 and signed on its behalf by:

……………………
Michael Foster
Director

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Share Premium	Reverse Acquisition Reserve	Foreign Exchange Reserve	Retained Earnings	Total
	US$	US$	US$	US$	US$	US$
As at 1 January 2016	1,000,000	-	-	(24,702)	125,233	1,100,531
Loss for the year	-	-	-	-	(7,800)	(7,800)
Other Comprehensive Income for the year - foreign currency exchange difference	-	-	-	6,966	-	6,966
Total comprehensive income for the year	-	-	-	6,966	(7,800)	(834)
Shares issued net of costs	200,000	-	-	-	-	200,000
Total transactions with owners recognised directly in equity	200,000	-	-	-	-	200,000
As at 31 December 2016	1,200,000	-	-	(17,736)	117,433	1,299,697
Profit for the year	-	-	-	-	5,945	5,945
Other Comprehensive Income for the year - foreign currency exchange difference	-	-	-	121,010	-	121,010
Total comprehensive income for the year	-	-	-	121,010	5,945	126,955
Shares issued net of costs	709,223	-	-	-	-	709,223
Group reorganisation	(1,815,423)	3,440,545	(1,590,777)	-	-	34,345
Issue of shares net of issue costs	6,263	320,345	-	-	-	326,608
Total transactions with owners recognised directly in equity	(1,099,937)	3,760,890	(1,590,777)	-	-	1,070,176
As at 31 December 2017	100,063	3,760,890	(1,590,777)	103,274	123,378	2,496,828

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Reorganisation Reserve:	Reserve created on issue of shares on acquisition of subsidiaries
Foreign Exchange differences:	Cumulative translation differences
Retained Earnings:	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Share Premium	Retained Earnings	Total
	US$	US$	US$	US$
Loss for the year	-	-	(33,541)	(33,541)
Total comprehensive loss for the year	-	-	(33,541)	(33,541)
Issue of shares net of costs	30,344	-	-	30,344
Shares issued as a consideration in the reverse merger, net of costs (Note 11)	59,456	3,440,544	-	3,500,000
Issue of shares net of costs	6,263	320,345	-	326,608
Total transactions with owners recognised directly in equity	79,963	3,760,890	-	3,840,853
As at 31 December 2017	100,063	3,760,890	(33,541)	3,827,412

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
Merger Reserve:	Reserve created on issue of shares on acquisition of subsidiaries
Foreign Exchange differences:	Cumulative translation differences
Retained Earnings:	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US$	2016 US$
Cash flows from operating activities			
Profit / (Loss) before taxation		5,945	(7,800)
Foreign exchange gain		122,872	14,868
Net cash flows generated from operating activities before changes in working capital		128,817	7,068
Increase in trade and other receivables		(66,226)	(5,635)
Increase in trade and other payables		59,677	1,700
Net cash outflow from operating activities		**(790)**	**(11,735)**
Investing activities			
Purchase of intangible assets	**10**	(125,130)	(161,731)
Net cash used in investing activities		**(125,130)**	**(161,731)**
Financing activities			
Loans	**18**	43,921	(25,000)
Proceeds from issue of shares net of issue costs	**15**	326,609	150,000
Net cash generated from financing activities		**370,530**	**125,000**
Net increase/(decrease) in cash and cash equivalents		**367,669**	**(33,601)**
Cash and cash equivalents at beginning of year		18,748	52,349
Cash and cash equivalents at end of year	**13**	**386,417**	**18,748**

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US$
Cash flows from operating activities		
Loss before taxation		(33,541)
Foreign exchange		(187)
Net cash flows generated from operating activities before changes in working capital		(33,728)
Increase in trade and other receivables		(100,974)
Increase in trade and other payables		133,603
Net cash outflow from operating activities		**(1,099)**
Financing activities		
Loans	**17**	23,143
Proceeds from issue of shares net of issue costs	**15**	326,609
Net cash generated from financing activities		**349,752**
Net increase in cash and cash equivalents		**348,6583**
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year	**13**	**348,653**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Corporate information

Kavango Resources PLC ("the Company") was incorporated on 21 May 2017. It is domiciled in the United Kingdom at 46 New Broad Street London United Kingdom EC2M 1JH.

The Company is a holding company of Navassa Resources Ltd ("Navassa") which has a wholly-owned subsidiary Kavango Minerals (Pty) Ltd. Navassa is registered and domiciled in Mauritius while Kavango Minerals (Pty) Ltd is registered and domiciled in Botswana.

The principal activity of the Company and its subsidiaries (the "Group") is the exploration for nickel in Botswana.

2. Significant Accounting policies

a) Statement of compliance

The financial information has been prepared in accordance with IFRS as adopted by the European Union. The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements.

The financial information is presented in UD Dollars ("US$"), which is the Group's presentational currency and has been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in note 3.

b) New accounting standards and interpretations in issue but not applied in the financial statements

At 31 December 2017, the following standards and interpretations relevant to the Group, were in issue but not effective, and have not been early adopted by the Group:

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

*Not yet endorsed for use in the EU

- IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. However, given the nature of the Group's receivables, these are not expected to have a significant impact in the financial statements. The Group does not expect any impact on the accounting for financial liabilities, as the new requirements of IFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

2. Significant Accounting policies (continued)

- IFRS15 ‘Revenue from Contracts with Customers’ sets out new revenue recognition criteria that will be applicable from 1 January 2018. The Group does not expect that the adoption of IFRS 15 will result in a change to the accounting policy as the performance obligation and timing of recognition are consistent with those identified under IAS 18.

- IFRS 16 'Leases'. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is effective for the period beginning on 1 January 2019. The impact of this standard has not yet been addressed.

Of the other IFRSs and IFRICs, none are expected to have a material effect on future company financial statements. There was no impact in respect of any new or revised standards adopted by the Group and as such they have not been disclosed.

c) Basis of consolidation

The consolidated financial statements incorporate those of Kavango Resources Plc and all of its subsidiaries (ie entities that the group controls when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity).

All financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date on which control ceases.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

d) Business Combination

Acquisition of Navassa Resources Limited

The company was incorporated on 31 May 2017 and entered into an agreement to acquire the entire issued share capital of Navassa Resources Limited on 7 December 2017. The acquisition was effected by way of issue of shares. Due to the relative size of the companies, Navassa Resources Limited’s shareholders became the majority shareholders in the enlarged capital of the Company. The transaction fell outside of IFRS 3 (“Business Combinations”) and as such has been treated as a group reconstruction.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant Accounting policies (continued)

b) Business Combination (continued)

Therefore, although the Group reconstruction did not become unconditional until 7 December 2017, these consolidated financial statements are presented as if the Group structure has always been in place, including the activity from incorporation of the Group's subsidiaries.

Furthermore, as Kavango Resources Plc was incorporated on 31 May 2017, while the enlarged group began trading on 7 December 2017, the Statement of Comprehensive Income and consolidated Statement of Changes in Equity and consolidated Cash Flow Statements are presented as though the Group was in existence for the whole year. On this basis, the Directors have decided that it is appropriate the reflect the combination using merger accounting principles as a group reconstruction under FRS 6 – Acquisitions and mergers in order to give a true and fair view. No fair value adjustments have been made as a result of the combination.

The comparative information presented for the Group is that of Navassa Resources Limited and its subsidiary.

e) Going concern

The financial information is presented on a going concern basis. In forming this opinion, the Directors have considered all of the information available to them. This includes management prepared forecasts, due consideration of the ability to raise funds on the open market in respect of the proposed listing on the Standard Segment of the London Stock Exchange, the timing as to when such funds will be received and the minimum spend requirements for the licences held. Based on their consideration of these matters the Directors believe the Group and Company to be a going concern.

These financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the group not continue as a going concern. The auditors have made reference to going concern by way of a material uncertainty in their audit opinion.

2. Significant Accounting policies (continued)

f) Intangible Assets

Exploration and evaluation costs

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

g) Taxation and deferred tax

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases, and is accounted for using the balance sheet liability method.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Judgement is applied in making assumptions about future taxable income, including nickel prices, production, rehabilitation costs and expenditure to determine the extent to which the Group recognises deferred tax assets, as well as the anticipated timing of the utilisation of the losses.

h) Foreign currencies

The functional currency for the Company, being the currency of the primary economic environment in which the Company operates, is the US$. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency).

The financial statements of the subsidiaries have been translated in to US$ in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The foreign exchange differences on translation of subsidiaries are recognized in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 profit and loss.

i) Other income

Other income represents monies received in respect of an option agreement. Amounts are recognised when the right to receive the payment is established.

2. Significant Accounting policies (continued)

j) Borrowings

Borrowings are recorded initially at fair value, net of attributable transaction costs. Borrowings are subsequently carried at their amortised cost and finance charges, including any premium payable on settlement or redemption, are recognised in the profit or loss over the term of the instrument using the effective rate of interest.

k) Financial instruments

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the Financial Information, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables
All financial assets fall into the loans and receivables category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in loans and receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting date.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the loss event has an impact on the estimated future cash flows of the financial asset.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when Kavango transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial liabilities
All financial liabilities fall into the other financial liabilities category.

Other financial liabilities
Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

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

Derecognition of other financial liabilities
Financial liabilities are derecognised when contractual obligations expire or are discharged or cancelled.

2. Significant Accounting policies (continued)

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received net of direct issue costs.

Share capital represents the amount subscribed for shares at nominal value.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, less dividends paid to the owners of the parent.

3. Critical accounting estimates and judgements in applying accounting policies

In the application of accounting policies the directors are required to make judgements, estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period.

a) Valuation of exploration, evaluation and development expenditure

The value of the Group's exploration, evaluation and development expenditure will be dependent upon the success of the Group in discovering economic and recoverable mineral resources, especially in the countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors. The future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates and potential new legislation and related environmental requirements. The Group's ability to continue its exploration programs and develop its projects is dependent on future fundraisings the outcome of which is uncertain. The ability of the Group to continue operating within Botswana is dependent on a stable political environment which is uncertain based on the history of the country. This may also impact the Group's legal title to assets held which would affect the valuation of such assets. There have been no changes made to any past assumptions.

b) Share-based payments

In accounting for the fair value of warrants, the Company makes assumptions regarding share price volatility, risk free rate, and expected life in order to determine the amount of associated expense to recognise.

4. Segmental disclosures

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment and that make strategic decisions, has been identified as the Board of Directors. No revenue was generated during the period.

The Group has two reportable segments, exploration and corporate, which are the Group's strategic divisions, for each of the strategic divisions, the Board reviews internal management reports on a regular basis. The Group's reportable segments are:

Exploration: the exploration operating segment is presented as an aggregate of all Botswana licences held. Expenditure on exploration activities for each licence is used to measure agreed upon expenditure targets for each licence to ensure the licence clauses are met.

Corporate: the corporate segment includes the holding and intermediate holding companies costs in respect of managing the Group.

Segment result

	31-Dec 2017 US$	31-Dec 2016 US$
Continuing operations		
Exploration	-	-
Corporate	(5,945)	(7,800)
Profit/(loss) before tax	5,945	(7,800)
Income tax	-	-
Profit/(loss) after tax	5,945	(7,800)

No profit and loss items were incurred in respect of the exploration activities as all relevant costs, in accordance with IFRS 6 (Exploration for and Evaluation of Mineral Resources), were capitalised to Intangible Assets for all of the periods presented.

Segment assets and liabilities

	Non-Current Assets		Non-Current Liabilities	
	31-Dec 2017 US$	31-Dec 2016 US$	31-Dec 2017 US$	31-Dec 2016 US$
Exploration (Botswana)	2,359,425	2,005,953	-	-
Corporate (London and Mauritius)	-	-	-	-
Total of all segments	2,359,425	2,005,953	-	-

	Total Assets		Total Liabilities	
	31-Dec 2017 US$	31-Dec 2016 US$	31-Dec 2017 US$	31-Dec 2016 US$
Exploration (Botswana)	2,229,980	2,028,020	10,088	738,391
Corporate (London and Mauritius)	534,319	41,613	194,171	31,545
Total of all segments	2,764,299	2,069,633	204,259	769,936

5. Other income

Other income relates to the payment received by the Group under an earn in agreement which was terminated in 2018.

6. Expenses by nature

Profit/(Loss) from operations is stated after charging:

Group	**2017 US$**	**2016 US$**
Fees payable to the Company's auditor:		
- For the audit of the annual accounts	15,728	-
- Non audit services – corporate finance seervices	18,000	-

7. Employees

Employment costs consist of:

Group	**2017 US$**	**2016 US$**
Wages and salaries including any Social security costs	8,660	26,385
	8,660	26,385

The amounts detailed above were capitalised in intangible assets in all of the periods stated.

There were no employment costs incurred in the Company.

The directors remuneration for the year is nil (2016: nil).

The average monthly number of employees during the period was:

Group	**2017**	**2016**
Directors	2	7
Employees	7	7
	9	9

Company	**2017**
Directors	2
Employees	-
	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation

	2017 US$	2016 US$
Current taxation	-	-
Deferred taxation	-	-
	-	-
Profit / (loss) before tax	5,945	(7,800)
Tax at the applicable rate of 19.2%	1,142	(1,170)
Effect of different tax rates in other jurisdictions	(1,660)	-
Tax losses carried forward	518	1,170
Current tax	-	-

Deferred tax has not been recognised in accordance with IAS 12 due to uncertainty as to when profits will be recognised against which the losses can be relieved. The Group has approximately US$2,700 (2016: US$2,200) of tax losses available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over future taxable profits against which the lowers may be used.

9. Earnings per share

	31-Dec 2017	31-Dec 2016
Earnings/(losses) per Share (basic) - cents	0.01	(0.03)

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue. The weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:

- Prior to the reverse acquisition, the number of shares is based on Navassa Resources Ltd, adjusted using the share exchange ratio arising on the reverse acquisition; and
- From the date of the reverse acquisition, the number of share is based on the Company.

	31-Dec 2017	31-Dec 2016
Profit/(Loss) for the year from continuing operations (used in calculation of basic EPS from continuing operations) (US$)	5,945	(7,800)
Weighted average number of Ordinary shares in issue	39,905,457	26,894,060

There are no potential dilutive shares in issue.

10. Intangible assets

Group Evaluation and Exploration Assets – Cost and net book value	31-Dec 2017 US$	31-Dec 2016 US$
At period start (1 January)	**2,005,953**	**1,638,222**
Additions	204,868	297,031
Translation difference	148,604	70,700
At period end (31 December)	**2,359,425**	**2,005,953**

The Group's intangible assets comprise wholly of Evaluation and Exploration assets in respect of the licences in Botswana.

In 2017 shareholders financed US$ 79,000 (2016: US$128,000) of exploration expenses capitalised by the Group.

The Directors have undertaken a review to assess whether circumstances exist which could indicate the existence of impairment as follows:

- The Group no longer has title to mineral leases.
- A decision has been taken by the Board to discontinue exploration due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the costs incurred will not be fully recovered from future development and participation.

The directors also taken into consideration the content of the Competent Person's report which is available at the Group's website.

Following their assessment, the Directors recognised that no impairment charge is necessary.

11. Investments in subsidiaries

Company	2017 US$	2016 US$
At incorporation	**-**	**-**
Additions	3,500,000	-
At period end (31 December)	**3,500,000**	**-**

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

On 7 December 2017 the Company has acquired all of the issued capital of Navassa Resources Limited for a consideration of US$3,500,000 which was settled by issuing 4,370,000 Ordinary Shares in the Company.

On the same date the Company and the former Navassa shareholders entered into option agreements whereby Navassa shareholders were permitted to repurchase their Navassa shares for an aggregate amount of $4 should the Company's shares fail to be admitted to trade on London Stock Exchange by a set pre-defined date. These options will lapse on admission.

Principal subsidiaries

Name	Country of incorporation and residence	Nature of business	Proportion of equity shares held by Company
Nevassa Resources Ltd	Mauritius	Holding	100%
Kavango Resources (Pty) Ltd	Botswana	Nickel exploration	100% via Navassa

These subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertaking held directly by the Parent Company does not differ from the proportion of ordinary shares held.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Trade and other receivables

	Group		Company	
	31-Dec 2017 US$	**31-Dec 2016 US$**	**31-Dec 2017 US$**	**31-Dec 2016 US$**
Other receivables and prepayments	142,256	42,711	135,505	-
	142,256	42,711	135,505	-

Carrying amounts of trade and other payables approximate their fair value.

13. Cash and cash equivalents

	Group		Company	
	31-Dec 2017 US$	**31-Dec 2016 US$**	**31-Dec 2017 US$**	**31-Dec 2016 US$**
Cash and cash equivalents	386,417	18,748	348,653	-
	386,417	18,748	348,653	-

Cash and cash equivalents consist of balances in bank accounts used for normal operational activities. The bank account is held within institutions with a credit rating of A-1.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Trade and other payables

	Group		Company	
	31-Dec 2017 US$	31-Dec 2016 US$	31-Dec 2017 US$	31-Dec 2016 US$
Other payables	146,241	6,593	133,603	-
	146,241	6,593	133,603	-

Carrying amounts of trade and other payables approximate their fair value.

15. Share capital

Issued and fully paid	Number of shares	Share capital US$	Share premium US$	Total US$
As at 1 January 2016	1,000,000	1,000,000	-	1,000,000
Issue of shares at par	200,000	200,000	-	200,000
As at 31 December 2016/ 1 January 2017	1,200,000	1,200,000	-	1,200,000
Issue of shares at par	709,223	709,223	-	709,223
Group reorganisation	23,720,777	(1,874,879)	-	(1,874,879)
Shares issued as consideration for reverse merger	44,370,000	59,456	3,440,544	3,500,000
Issue of shares at US$0.06	4,169,996	6,263	330,942	337,205
Issue costs	-	-	(10,596)	(10,596)
As at 31 December 2017	74,169,996	100,063	3,760,890	3,860,953

On 7 December 2017 the Company acquired Navassa Resources Ltd for a purchase price of US$3.5 million (£2.6 million) through the issue 44,370,000 new ordinary shares of £0.001 and became the legal parent of the Group.

Due to the facts stated in note 2b) the Group is considered to have always existed. For 2015 and 2016 the figures represent those of Navassa Limited and for 2017 those of Kavango Resources Plc are stated.

Navassa Resources Limited shares are US$1.
Kavango Resources Plc shares are GBP 0.001.

In 2016 US$50,000 of intangible assets additions were settled through the issuing of 50,000 shares.

On 21 December 2017 4,169,996 shares were allotted and issued at a price of GBP0.06 (US$0.08) per Ordinary Share.

16. Share based payments

Warrants

During the share placement that completed on 21 December 2017 the Company issued 4,169,996 warrants to each of the subscribers. Each warrant entitles the warrant holder to subscribe for one ordinary share at a price of 12p (US$0.16) with a further warrant attached for each two ordinary shares subscribed for under those warrants, the new warrants entitling the warrant holder to subscribe for one further ordinary share for each such new warrant at a price of 24p (US$0.32). These warrants have not been recognised in the financial statements as their fair value is not material.

The fair value of the warrants granted was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

	12p warrants
Fair value of 1 warrant (US cents)	0.12s
Share price at the date of grant (US$)	0.081
Exercise price (US$)	0.16
Dividend yield	0%
Expected life, years	2.5
Annual risk-free interest rate	0.47%
Volatility	31%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable companies adjusted for lack of marketability. Should volatility be higher by 10%, fair value of the warrants would increase by US$14,000.

The warrants outstanding at the year end are:

Exercise price US$	**Number exercisable**	**Number outstanding**	**Weighted average remaining contractual life Years**	**Weighted average exercise price US$**
0.16	-	4,169,996	2.5	0.16

17. Financial instruments

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below.

There is no material difference between the book value and fair value of the Group cash balances, and the short-term receivables and payables because of their short maturities.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. Credit risk arises from cash and deposits kept with banks, advances paid and other receivables.

Financial assets which potentially subject the holder to concentrations of credit risk consist principally of cash balances. These balances are all held at a recognised financial institution. The maximum exposure to credit risk is US$386,417 (2016: US$18,748). The Company and Group does not hold any collateral as security.

17. Financial instruments (continued)

Market risk

Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. The exposure to this risk is not considered, for the time being, to be material and as such no arrangements have been put in place to mitigate this risk.

Currency risk
Currency risk is the risk that the financial results of the Group will be adversely affected by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The majority of the Group's expenditure are denominated in Pound Sterling, while its exploration expenses are incurred in Botswana Pula, accordingly, the result for the year are adversely impacted by appreciation of the Pound Sterling against the US$ while the Group's assets are adversely impacted by appreciation of the Botswana Pula against the US$. Currency risk is monitored on a regular basis by performing a sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than the functional currencies of the individual Company entities were as follows:

	Group and Company	
	31-Dec 2017 US$	**31-Dec 2016 US$**
Assets		
GBP	484,157	-
Liabilities		
GBP	133,615	-
Net exposure	350,542	-

A 10% increase / decrease in the USD:GBP exchange rate would result in a loss / profit of US$35,054.

Liquidity risk

Liquidity risk arises from the possibility that the Group and its subsidiaries might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. In addition to equity funding, additional borrowings have been secured to finance operations. The Company manages this risk by monitoring its financial resources and carefully planning its expenditure programmes.

Capital

The Group considers its capital to comprise its ordinary share capital and retained deficit. In managing its capital, the director's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only their short-term position but also their long term operational and strategic objectives.

18. Change in liabilities arising from financing activities

Group	1 January 2017 US$	Cash flows US$	Non cash movements: Foreign exchange gain US$	Converted into shares US$	Capitalised exploration costs US$	31 December 2017 US$
Amounts due to shareholders (Note 20)	763,343	43,921	(16,777)	(709,223)	79,127	160,391

Company	1 January 2017 US$	Cash flows US$	31 December 2017 US$
Amounts due to shareholders (Note 20)	-	23,143	23,143

19. Commitments

The Group's license expenditure commitments are:

	Group 31-Dec 2017 US$	31-Dec 2016 US$
Within 1 year	873,890	170,000
Within 2-5 years	771,850	642,780
	1,645,740	812,780

20. Related party transactions

Related Party Transactions include:

- Rent, utilities and other administrative costs incurred by Kavango Minerals (Pty) ltd were partially paid by 3D Exploration Limited, a company owned by Hillary Gumbo, a Director of Navassa Resources Ltd and billed to Kavango Minerals (Pty) Ltd;
- Amounts billed to Kavango Minerals (Pty) Ltd for services rendered by each of Charles Michael Moles and Hillary Gumbo, both Directors of Navassa Resources Ltd.
- Technical and consulting services provided by 3D Exploration Limited;
- An advance made to Navassa Resources Ltd by Charles Michael Moles, a Director

The following table summarises related party transactions by year:

Group	Currency	2017 US$	2016 US$
Included in capitalised exploration costs:			
Costs billed by 3D Exploration (Hillary Gumbo)	Botswana Pula	58,715	77,612
Consulting Services billed by Charles Moles	USD	-	22,102
Consulting Services billed by Hillary Gumbo	USD	168,377	184,115
		227,092	283,829

20. Related party transactions (continued)

Balances with the related parties are:

	Group 2017 US$	Group 2016 US$	Company 2017 US$
Included in other payables:			
Other related parties	52,129	-	52,129
	52,129	-	52,129
Included in amounts due to shareholders:			
Charles Moles	34,690	34,006	-
Hillary Gumbo	175	161	-
3D Exploration	102,383	729,176	-
Michael Foster	19,912	-	19,912
John Forrest	3,231	-	3,231
	160,391	763,343	23,143
Included in other receivables:			
3D Exploration	4,008	2,363	-
Michael Foster	11,063	-	11,063
Charles Moles	11,063	-	11,063
	26,134	2,363	22,126

Directors fees

No Directors Fees were paid in any of the periods shown and as such none are disclosed.

There are no balances or transactions with the related parties in the Company.

21. Events after the reporting date

On 24 January 2018 the Company re-registered as a Public Limited company.