

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 2018**

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COMPANY INFORMATION

Directors

Douglas Wright, Non-Executive Chairman (1)
Michael Foster, Chief Executive
Michael Moles, Non-Executive (1)
John Forrest, Director (2)

(1) Appointed 6 February 2018
(2) Resigned 6 February 2018 and appointed Company Secretary

Company Secretary

John Forrest

Registered Office

46 New Broad Street
London EC2M 1JH

Registered Number

10796849 (England and Wales)

Financial Adviser

City and Westminster Corporate Finance
50 Jermyn Street
London SW1Y 6LX

Registrars

Share Registrars Limited
The Courtyard
17 West Street
Farnham,
Surrey GU9 7DR

Brokers

SI Capital Limited
46 Bridge Street
Godalming
Surrey GU7 1HL

Auditor

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

Solicitors

Keystone Law
48 Chancery Lane
London WC2A 1JF

Druces LLP
Salisbury House
London Wall
London EC2M 5PS

Principal Bankers

NatWest Bank
120-122 Fenchurch Street
London EC2M 5BA

Website

www.kavangoresources.com

KEY HIGHLIGHTS

- Total assets - US\$3.4M (2017 US\$ 2.9M).
- (Loss) Income – (US\$755,307) (2017 - US\$126,955).
- The Group reports its results in US Dollars (USD). Its primary assets are in Botswana and are accounted for in Botswana Pula (BWP). Kavango Resources plc accounts for fundraisings in Pounds Sterling (GBP). In 2018 the BWP and GBP depreciated approximately 8% and 6% respectively against the USD which produced a net foreign exchange loss of US\$221,065.
- The entire issued ordinary share capital of the Company was admitted to the Standard List segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange ("Admission") on 31 July 2018 under the TIDM (Stock Code): **KAV**.
- On Admission, completion of a placement of 60,000,000 ordinary shares at 2.5p/share to raise £1,500,000 (before expenses); on 12 March 2019 a further placement of 26,785,713 ordinary shares at 2.8p/share to raise £750,000 (before expenses) was completed.
- Over 4,000 line-kms of airborne electromagnetic surveys have been concluded over the Company's prospecting licences, which cover an area of approximately 9,000km² in south west Botswana.
- Approximately 1,000m of drilling has now been concluded at the Ditau prospect where indications of high cobalt and elevated copper, nickel and zinc values have been identified; assays are eagerly awaited.

CHAIRMAN'S STATEMENT

It gives me great pleasure as Chairman of Kavango Resources plc, a mining group targeting the discovery of world class mineral deposits in Botswana, to report to all our shareholders the first set of final results as a listed company.

For the period from 1 January - 31 December 2018 the Group incurred a loss of US\$755,307 (US\$ 0.008 per ordinary share)

Kavango was admitted to the Standard List segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange ("Admission") on 31 July 2018 under the TIDM (Stock Code): **KAV** and in the process raised £1.5m (before expenses). Subsequently a further £750,000 (before expenses) was raised during the first quarter of 2019 to accelerate the Company's exploration plans.

Phase 1 of the airborne electromagnetic ("AEM") geophysical survey at the Company's Kalahari Suture Zone Project ("KSZ") in southwest Botswana was completed both on time and on budget. Following completion of the survey, the Company's 100% owned subsidiary in Botswana has now been granted three additional PL's, extending the group's ground holding along the KSZ by a further 2,300km². Two of the three new PL's are contiguous and immediately adjoin the northern area covered by Phase 1 of the AEM survey. The Company now holds 15 PL's that cover approximately 80% of the KSZ, a 450 km long magnetic anomaly and where Kavango is exploring for Ni-Cu-PGE rich sulphide orebodies. The Company's 15 PL's on the KSZ Project now cover a total of 9,231 km².

Phase 2 of the AEM survey over the KSZ prospecting licences has been carried out by SkyTEM, a leading airborne geophysical survey company offering the acquisition and advanced processing of the highest quality helicopter-borne electromagnetic data. The AEM survey covered up to 2,062 line-kilometres in the Hukuntsi area of Botswana. Preliminary results indicate that SkyTEM's innovative new generation 312 HP (High Power) technology has achieved exceptional depth of investigation beneath the Kalahari sand cover and Karoo sediments due to the high moment (HM) mode with high current and low base frequency of 12.5 Hz. This system has been on the market since 2017 and therefore represents a major advance in AEM systems. The SkyTEM AEM data is currently being interpreted and modelled by our duly appointed external Consultants, Aarhus Geophysics in Denmark, in conjunction with SkyTEM with the results of the interpretation, expected to give priority targets for both ground follow-up and drilling.

Moving on to drilling at the Company's Ditau Prospect, which forms part of the KSZ, the first hole (DitDDH1) confirmed the intersection by diamond drilling of over 200 metres of intense alteration with significant anomalous base metal values. The hole encountered a 200 metre zone of intensely altered rock above the conductive drill target and exhibits significant sulphide alteration together with indicative cobalt values of up to 0.9% and a weighted average of 0.2% cobalt over 70 metres as well as elevated copper, zinc, lead and nickel values as per the RNS dated 25th March 2019.

The core from DitDDH1 is to be sent to an accredited international laboratory for geochemical analysis and assaying. The results are eagerly awaited. DitDDH2 is now in progress and sited on a second conductive body (supported by surface soil geochemistry) situated 1.8km east of DitDDH1, within the Ditau intrusion. A water well has been successfully drilled at Ditau which will now alleviate the need to cart water over long distances and facilitate drilling.

The Company is also reviewing other highly selective but potentially very interesting natural resource opportunities in Botswana.

The period in question has been a very busy time for the Company with the expectation that the next 12 months will potentially be even busier especially on the drilling front.

Further information in respect of the Company and its business interests is provided on the Company's website at www.kavangoresources.com and on social media including Twitter #KAV.

On a final note, I would like to take this opportunity to thank my fellow directors and senior management who over recent months have worked tirelessly on progressing the Company against our stated objectives with special mention going to Hillary Gumbo our exploration manager and his team in Botswana.

DJ Wright
Chairman
30 April 2019

CHIEF EXECUTIVE OFFICER'S REPORT

Kavango Resources plc ("Kavango" or "the Company") acquired 100% of Navassa Resources Ltd ("Navassa"), a Mauritius holding company, in November 2017. Navassa owns 100% of Kavango Minerals (Propriety) Limited, a Botswana registered exploration company.

The Company is currently exploring the potential of gabbro intrusives associated with the Kalahari Suture Zone (KSZ) to host significant concentrations of nickel, cobalt, copper and other base metals. The KSZ is a 450km long north-south trending magnetic structure of continental proportions.

Kavango holds 15 Prospecting Licences (PL's) along the KSZ, covering an area of over 9,000km².

It is believed that most of the gabbros associated with the KSZ are of Karoo age and almost certainly are the feeder sills/dykes to the basalt lava flows, which at one time covered most of the Karoo sediments in southern Africa.

These gabbros are of a similar age, genesis and composition as the gabbros hosting the giant Norilsk Cu/Ni/PGE deposits in Siberia.

Some of the gabbros are close to surface and even outcrop. Others are buried under Kalahari sand and Karoo sediments. Previous researchers have drilled these intrusives in the 1980's and the cores of some of these holes have been re-logged and sampled by Kavango. Those sampled have been analysed for whole rock geochemistry. The results together with thin sections have been examined by Dr Martin Prendergast, consulting to the Company, who specialises in magmatic Cu/Ni/PGE deposits in southern Africa.

Dr Prendergast's observations suggest that the gabbro samples show a loss of Cu, Ni and especially PGEs together with sulphur at some stage before complete crystallisation of the intrusive magma. The implication is that the metal rich sulphides have been concentrated and deposited at some location within the magma chamber (gabbro) or within the surrounding rock formations-

Navassa initiated an exploration program four years ago by identifying the location of magmatic intrusive rocks from an analysis of the regional magnetic surveys published by the Botswana Government.

As part of the current exploration programme the Company has followed up the work of Navassa with two phases of an airborne electro-magnetic survey (AEM) covering approximately 4,000 line-kms, in the northern half of the KSZ licence area.

By using the latest generation of low frequency helicopter-borne EM, conductors lying up to 500m below the Kalahari/Karoo cover have been identified and these are now being followed up on the ground for further investigation.

The Company has started testing some of these conductors on surface with very high sensitivity soil sampling. This can detect metal ions transported from buried metal rich sulphide deposits associated with the emplacement of magmatic intrusive rocks. Kavango geologists have pioneered a high resolution soil sampling technique to detect ultra-fine metal particles which have been transported in solution from considerable depths of burial to the surface by capillary action and transpiration. Evaporation leaves the metal ions as accumulations within a surface "duricrust" which is then sampled and analysed. Zinc, which is the most mobile of the base metal elements (i.e. goes into solution easily) acts as a pathfinder to mineralization at depth.

Kavango is also using a ground based geophysical technique known as Controlled Source Audio frequency Magneto Tellurics (CSAMT) to identify the exact location of the conductors. Massive sulphide (base metal) deposits can be detected by CSAMT deep beneath the surface because they conduct electricity easily. The shape, orientation and depth of the conductors determines if the conductor should be drilled, particularly if the conductor coincides with zinc-in-soil (surface) anomalies.

KSZ Project: Ditau Prospect - drilling results

The Ditau prospecting licence (PL169) covers 469km² and is the most advanced of the Company's prospects. The Ditau Prospect is a 7km x 5km magnetic and gravity anomaly with significant zinc-in-soils anomalies. Geochemical soil sampling and geophysics (magnetic and gravity surveys as well as CSAMT) have identified a number of large conductive anomalies at depth (see below).

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At the time of writing two diamond core drill holes have been completed to depths in excess of 300m.

Both holes encountered very intense alteration and deformation of the Karoo age rocks, which lie above a mafic intrusive (gabbro), which is almost certainly the source of the magnetic and gravity anomaly.

The alteration in the Karoo sediments appears to be in excess of 300m thick, whilst the alteration penetrates into the gabbro for at least another 75m. Iron and copper sulphide mineralisation is present throughout the altered Karoo sediments and the gabbro. Indicative cobalt mineralisation has been identified in both holes (portable XRF analyses).

The core from both holes has been cut and sampled in Botswana and has now been sent for assay and analysis at a laboratory in Australia.

KSZ Project: Airborne EM (AEM) Surveys

In August 2018 Kavango contracted Geotech Ltd to carry out Phase 1 of an AEM survey designed to identify conductive bodies over nearly 4,000km² of Kavango's licences on the KSZ. The VTEM survey started in September and the 2,000 line kilometres were completed before the end of the month. A total of 26 conductors were identified, 15 of which have now been followed up with ground surveys, high resolution soil sampling and CSAMT. Follow up investigations showed that several of the conductors extended into the Karoo sediments and these have been prioritised for possible drilling.

Although the VTEM survey was able to identify some of the conductors, the highly conductive overburden (Kalahari and Karoo sediments) restricted depth penetration such that some of the conductors may have been missed. For the Phase 2 AEM survey, Kavango contracted SkyTEM Surveys Ltd, who had recently brought out a low frequency (12.5Hz) system that promised far greater depth penetration. The Phase 2 survey which covered the northern part of the project area was begun on 4th February and was completed in 28 days. SkyTEM's 12.5Hz system showed a significant improvement in average depth penetration.

Proposed work programme for 2019

During the first half of 2019, the Company will focus on modelling and interpretation of the extensive geological, geochemical and geophysical information now available for the exciting Ditau prospect. An assessment of the Ditau's potential will be made ahead of further work.

At the same time, the Company is expecting imminent results from the AEM survey on the northern part of the KSZ. The targets will be followed up on the ground with CSAMT surveys and/or geochemistry to delineate in more detail locations of conductors ahead of drilling.

Michael Foster
Chief Executive
30 April 2019

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Douglas Wright (*Non-Executive Chairman*)

Douglas studied Business studies at NESCOL; and has more than 35yrs experience in finance mainly in the City of London. He was the Business Development director at the Stockbrokers Tilney's from 2002 with a responsibility to attract new business initially in the area of discretionary portfolio management and then subsequently within the alternative investments arena and a partner at Corporate Finance firm City & Westminster from 2006 where his remit included fund raising mostly for small cap stocks especially in the natural resources sector. Douglas is currently a director of Friction Free Feedback Limited. He moved to Malta in 2013.

Michael Foster (*Chief Executive Officer*)

Michael is a graduate geologist from St Andrews University in Scotland with a MBA in Business Administration from London Business School. He has over 35 years' experience of all aspects of the mining industry, including exploration, mine development, operations and finance in a variety of commodities. He was formerly managing director of LSE listed Africa focused Reunion Mining Plc prior to its acquisition by Anglo American Plc. He has been involved in a variety of corporate activity and worked throughout Africa (including Botswana where he started his career as an exploration geologist with De Beers), Central Asia, Eastern Europe, the Middle East and South America. He speaks French and Portuguese. Michael was formerly Chairman of Copperbelt Minerals Ltd, a company that discovered a 5mt contained copper deposit in DRC, and is currently a non-executive director of Arc Minerals Ltd (DRC and Zambia focused mineral exploration company) and Zimbabwe focused Premier African Minerals Ltd, both listed on AIM.

Mike Moles (*Non-Executive Director*)

Michael BSc (Geology) and BSoc Sci (African Studies) has over 30 years' experience in mineral exploration in southern Africa. Initially with the Delta Gold Ltd, then as Exploration Manager for Reunion Mining (Zimbabwe) Ltd. In 1998, he became Consulting Geologist for Lonmin Gold before setting up his own company in 2001. He was a founding director of Mimic Mining Ltd, which was later sold to Impala Platinum.

In 2001, he co-founded Millennium Mining and its parent company, Malawi Minerals Ltd (minerals sands). In 2005 he set up and managed Africoal Ltd in Mozambique to acquire exploration licences over the coalfields around Moatize/Tete. The company was sold two years later to the Australian junior, Riversdale Mining. In 2008, he became MD of Rio Mazowe Ltd, which explored for base minerals in Tete (Mozambique). In 2011, the company was sold to the ASX listed Battery Minerals Ltd. Mike is co-founder and director of Kavango Minerals with responsibility for strategy, funding and corporate affairs.

Hillary Gumbo (*Exploration Manager*)

Hillary was born in Matobo district of Zimbabwe in 1962. He graduated from the University of Zimbabwe (UZ) with a BSc in Geology and Physics (Honours) in 1984. In 1986, he graduated with an MSc Exploration Geophysics (UZ). He worked for Zimbabwe Mining Development Corporation from 1986 to 1990 when he joined Reunion Mining (Zimbabwe) Ltd till early 1999. He has worked as a geophysical consultant for a number of companies in Africa and the Middle East such as Mawarid Mining and Rockover Resources. He has been involved in a number of discoveries which include chrome at Anglo America's Inyala mine, Zimbabwe, Maligreen gold deposit and many kimberlites in Zimbabwe. In 2009 he setup 3D Earth Exploration in Botswana, a geophysical contracting and consulting company. In 2011, with Mike Moles he set up Kavango Minerals to explore for iron ore and base metals in Botswana. He has a Botswana residence status and lives in Harare, Zimbabwe with his wife and son.

John Forrest (*Chief Financial Officer and Company Secretary*)

Mr Forrest is a Chartered Professional Accountant. He qualified with Price Waterhouse in Canada and since 2004 has been based in London. While at Price Waterhouse he worked with mining clients including Inco Limited. His company Logwood Financial Services Limited provides financial management services to companies involved in minerals exploration and he worked on several initial public offerings. For the past 32 years he has worked in a senior financial role with companies including Indomin Resources Limited, Central China Goldfields Limited and BDI Mining Corp with projects in Asia. Since 2006 he has worked with companies including Copperbelt Minerals Limited and Casa Mining Limited raising funds for exploration in Africa.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2018. 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 31 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 copper-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 (2017: US\$Nil).

Directors

The Directors of the Company during the year ended 31 December 2018 were:

Douglas Wright (appointed 6 February 2018)

Michael Foster (appointed 31 May 2017)

Mike Moles (appointed 6 February 2018)

John Forrest (appointed 31 May 2017; resigned on 6 February 2018)

The Directors interests in the ordinary share capital of the Company at the date of this report are:

Director

Michael Foster*	7,365,001
Mike Moles	15,092,492
Douglas Wright**	10,740,001
John Forrest (resigned on 6 February 2018)	7,644,998

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

** Includes 1,340,000 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 the Directors Remuneration Report which follows.

Substantial shareholders

As at 31 December 2018, the total number of issued ordinary shares with voting rights in the Company was 134,169,996. Details of the Company's capital structure and voting rights are set out in note 15 to the financial statements.

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The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 25 April 2019.

Party Name	Number of Ordinary Shares	% of Share Capital
Michael Moles	15,092,492	9.38%
Jose Medeiros	13,492,500	8.38%
Peter Anderton	13,492,500	8.38%
Hillary Gumbo	11,092,500	6.89%
Douglas Wright *	10,740,001	6.67%
John Forrest	7,644,998	4.75%
Michael Foster **	7,365,001	4.58%
JIM Nominees	22,334,728	13.88%
Share Nominees	28,984,427	18.01%

* Includes 1,340,000 shares in the name of his wife, Lesley Wright

** Includes 1,000,000 shares in the name of his wife, Teresa Foster

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.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 17 of the financial statements.

Green House Gas emissions

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. Nevertheless, the Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made; these are generally concentrated in areas of energy conservation, recycling and waste control.

Going Concern

The Group and Company Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors are of the view that, whilst the Group has funds to meet its immediate working capital needs, the Group will need to raise funds later in the year to meet its planned exploration expenses that they wish to undertake over the next 12 months from the date these Financial Statements.

The Group has financial resources which the Directors consider is insufficient to fund the Group's committed expenditure both operationally and on some various exploration projects in the short term and thus acknowledge that additional funding will be required. The amount of funding the Group will be required to raise will be either via an issue of equity or through the issuance of debt. The Directors are reasonably confident that funds will be forthcoming and are actively talking to investors. Should additional funding not be forthcoming the Directors have agreed, if circumstances require, to defer payment of their fees until such time as adequate funding is received and if necessary scale back exploration activity.

The Directors have a reasonable expectation that the Group and Company will be able to raise the required funds and thus anticipate that adequate resources will be available to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Group and Company Financial Statements.

Auditor

The Board appointed PKF Littlejohn LLP as auditors of the Group on 15 November 2017. They have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report, Governance Report and Directors' Remuneration Report along with the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards 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 Company and the Group and of the profit or loss of the Company and the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies with a Standard Listing.

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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors responsibility statement pursuant to Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 8, confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and parent company; and
- the Annual Report and financial statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

Statement as to Disclosure of Information to the Auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as whole;

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- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Subsequent events

The Board does not believe there are any subsequent events that have not been disclosed in Note 21

This responsibility statement was approved by the Board of Directors on 17 December 2018 and is signed on its behalf by;

Michael Foster

Director

30 April 2019

DIRECTORS' REMUNERATION REPORT

The Company's Remuneration Committee comprises two Non-Executive Directors: Douglas Wright and Mike Moles.

Kavango's Remuneration Committee operates within the terms of reference approved by the Board.

In the year to 31 December 2018 the Remuneration Committee has met once to review the share option proposal.

The items included in this report are unaudited unless otherwise stated.

Committee's main responsibilities

- The Remuneration Committee considers the remuneration policy, employment terms and remuneration of the Executive Directors and senior management;
- The Remuneration Committee's role is advisory in nature and it makes recommendations to the Board on the overall remuneration packages for Executive Directors and senior management in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives;
- The Remuneration Committee also reviews proposals for any share option plans and other incentive plans, makes recommendations for the grant of awards under such plans as well as approving the terms of any performance-related pay schemes;
- The Board's policy is to remunerate the Company's executives fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel; and
- The Remuneration Committee, when considering the remuneration packages of the Company's executives, will review the policies of comparable companies in the industry.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's periodic reviews of its policy on remuneration.

Statement of policy on Directors' remuneration

The Company's policy is to maintain levels of remuneration so as to attract, motivate, and retain Directors and Senior Executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations. Currently Director's remuneration is not subject to specific performance targets.

The Remuneration Committee considers remuneration policy and the employment terms and remuneration of the Executive Directors and makes recommendations to the Board of Directors on the overall remuneration packages for the Executive Directors. No Director takes part in any decision directly affecting their own remuneration.

Directors' remuneration

The Directors who held office at 31 December 2018 and who had beneficial interests in the ordinary shares of the Company are summarised as follows:

Name of Director	Position
Douglas Wright	Chairman, Non-Executive Director
Mike Moles	Non-Executive Director
Michael Foster	Chief Executive Officer

Details of these beneficial interests can be found in the Directors' Report on page 9.

Each of the Directors entered into service agreements at the time of the Company's admission to the market in July 2018. Details of those service agreements are set out below. There were no other major remuneration decisions in the period.

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Directors' service contracts

Douglas Wright

Douglas has entered into a Letter of Appointment with the Company pursuant to which he has agreed to act as the Non-Executive Chairman of the Company. He is paid £40,000 per annum and has a notice period of 6 months.

Michael Foster

Michael has entered into a Service Agreement with the Company pursuant to which he has agreed to act as Chief Executive Officer of the Company. He is paid £40,000 per annum and has a notice period of 6 months.

Mike Moles

Mike has entered into a Letter of Appointment with the Company pursuant to which he has agreed to act as a Non-Executive Director of the Company. He receives no remuneration for his services, but is repaid expenses incurred, and has a notice period of 6 months.

Remuneration components

For the year ended 31 December 2018 fees and share incentive arrangements were the sole component of remuneration. The Board will consider the components of Directors' remuneration during the year and following this review these are likely to consist of:

- Salaries and fees
- Share Incentive arrangements

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2018:

Name of Director	Short terms employment benefits		Other long term benefits		Total	
	2018	2017	2018	2017	2018	2017
	USD	USD	USD	USD	USD	USD
Douglas Wright	21,494	-	-	-	21,494	-
Mike Moles	-	-	-	-	-	-
Non-Executive total	21,494	-	-	-	21,494	-
Michael Foster	21,494	-	-	-	21,494	-
John Forrest*	-	-	-	-	-	-
Executive total	21,494	-	-	-	21,494	-
Total	42,988	-	-	-	42,988	-

* Resigned on 6 February 2018.

As at 31 December 2018 no amounts were owing to or receivable from Directors.

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Directors beneficial share interests (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2018 and at the date of this report or their resignation (if earlier) were as follows:

Name of Director	Number of ordinary shares held 31 December 2018	As at the date of this report	Number of share options	Number of share options vested but unexercised
Douglas Wright *	10,740,001	10,740,001	2,400,000	2,400,000
Mike Moles	15,092,492	15,092,492	2,400,000	2,400,000
Michael Foster **	7,365,001	7,365,001	2,400,000	2,400,000

* Includes 1,340,000 in the name of his wife

** Includes 1,000,000 in the name of his wife

Total pension entitlements (audited)

The Company does currently not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

Payments to past directors (audited)

The Company has not paid any compensation to past Directors.

John Forrest, who resigned as a Director on 6 February 2018, was paid £15,000 as Corporate Secretary.

Payments for loss of office (audited)

No payments were made for loss of office during the year.

Directors' interests in share options (audited)

Details of share options over ordinary shares for directors who served during the year are set out in the table below:

	Number of Share Options	
	2018	2017
Douglas Wright	2,400,000	-
C Michael Moles	2,400,000	-
Michael Foster	2,400,000	-

There are no performance conditions attached. The exercise price of the awards exceeds the average share price for the period.

There were no awards of annual bonuses or incentive arrangements in the period. All remuneration was therefore fixed in nature and no illustrative table of the application of remuneration policy has been included in this report.

Consideration of employment conditions elsewhere in the Group

The Committee has not consulted with employees about executive pay but considers that the current remuneration of Executive Directors is consistent with pay and employment benefits across the wider Group.

UK 10-year performance graph

The Directors have considered the requirement for a UK 10-year performance graph comparing the Group's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company has only been listed since July 2018, is not paying dividends and is currently incurring losses. In addition and as mentioned above, the remuneration of Directors is not currently linked to performance

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and we therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The Directors will review the inclusion of this table for future reports.

UK 10-year CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-year CEO table and UK percentage change table. The Directors do not currently consider that including these tables would be meaningful as remuneration is not currently linked to performance, therefore any comparison across years or with the employee group would be significantly skewed and would not add any information of value to shareholders. The Directors will review the inclusion of this table for future reports.

Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information.

Other matters

The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

Approved by the Board on 30 April 2019.

Douglas Wright

Chairman of the Remuneration Committee

STRATEGIC REPORT

The Directors present their strategic report on the group for the year ended 31 December 2018.

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.

Following acquisition of Navassa Resources Ltd the principal activity of the Group is copper and 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.

The Company was admitted for trading on the London Stock Exchange (Standard List) on 31 July 2018.

Business review

Details of the Company's strategy, results and prospects are set out in the Chairman's Statement and in the Chief Executive Officer's Report on pages 5 and 6.

Following acquisition of Navassa Resources Ltd, the Group raised £250,200 through a private placement in December 2017 to finance its IPO and £1,500,000 gross of expenses upon Admission to trading on the LSE on 31 July 2018.

On 12 March 2019, a further placement of 26,785,713 ordinary was completed at 2.8p per share to raise £750,000 before expense

Through Kavango Minerals (Pty) Ltd, the Group is pursuing exploration projects in Botswana.

Principle Risks and uncertainties

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 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 and exploration results. Key elements of this process are the Group's monthly reporting and regular Board meetings.

Concentration risk

The Group has one core exploration asset being licences covering the Kalahari Suture Zone (KSZ) Project. This is a large area, approximately 9,000km², which mitigates against this risk to a degree. 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.

Exploration risk

The KSZ Project may not result in exploration success.

Whilst the Directors endeavour to apply what they consider to be the latest technology to assess potential projects, the business of exploration for and identification of minerals and metals, is speculative and involves a high degree of risk. The mineral and metal deposits of any projects acquired by the Group may not contain economically recoverable volumes of minerals, base metals, or precious metals of sufficient quality or quantity. Even if there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other technical difficulties may make the deposits difficult to exploit.

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The exploration and development of any project may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Group. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, acts of God and government regulations or delays.

Exploration is also subject to general industrial operating risks, such as equipment failure, explosions, fires and industrial accidents, which may result in potential delays or liabilities, loss of life, injury, environmental damage, damage to or destruction of property and regulatory investigations. The Group may also be liable for the mining activities of previous miners and previous exploration works. Although the Group intends, itself or through its operators, to maintain insurance in accordance with industry practice, no assurance can be given that the Group or the operator of an exploration project will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims. The Group may elect not to become insured because of high premium costs or may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Environmental and other regulatory risks

In relation to the Group's existing projects the environmental impact to date is limited to activities associated with exploration. The ultimate development of any project into a mining operation will inevitably impact considerably on the local landscape and communities. These projects sit in an area of considerable natural beauty and therefore there is likely to be opposition to mining by some parties. This may impact on the cost and/or Group's ability to sell or move these projects into production.

While the Group believes that its operations and future projects are currently, and will be, in substantial compliance with all relevant material environmental and health and safety laws and regulations, including relevant international standards, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced.

Nevertheless, the Group will continue to vigorously apply international standards to the design and execution of any and all of its activities, including engagement and consultation with local communities, and non-governmental and Governmental organisations to ensure any impacts of current and future activities are minimised and appropriately managed. The Group has established a comprehensive suite of health, safety, environmental and community policies which will underpin all future activities.

Financing

The successful exploration or exploitation of natural resources on any project will require significant capital investment. The only sources of financing currently available to the Group are through the issue of additional equity capital in the Company or through bringing in partners to fund exploration and development costs. The Group's ability to raise further funds will depend on the success of their investment strategy and acquired operations. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion.

Brexit

The outcome to Brexit in 2019 may pose significant new challenges in terms of creating instability in the financial markets and currency exchange rate fluctuations, and in creating conditions liable to weaken investor sentiment and decision-making processes. The Company has some protection in that it does not operate in the United Kingdom and is intending to generate income in United States dollars if their exploration assets reach production stage in Botswana. However, whilst Brexit remains unresolved uncertainty will persist and possible outcomes cannot be predicted with confidence.

Political, economic and regulatory regime

The licences and operations of the Group are in jurisdictions outside the United Kingdom and accordingly there will be a number of risks which the Group will be unable to control. Whilst the Group will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences and changes to the laws governing mineral exploration and operations.

The Group's activities will be dependent upon the grant of appropriate licences, concessions, leases, permits, and regulatory consents that may be withdrawn or made subject to limitations. There can be no assurance that they will be granted or renewed or if so, on what terms. There is also the possibility that the terms of any licence may be changed other than as represented or expected.

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Botswana, the current focus of the Group's activity, offers a stable political framework and actively supports foreign investment. The country has a well-developed exploration and mining code and proactive support for foreign companies. Through a programme of proactive engagement with Government at all levels the Group is able to partially mitigate these risks by establishing professional working relationships.

Dependence on key personnel

The Group is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

Nevertheless, through programmes of incentivising staff, appropriate succession planning, and good management these risks can be largely mitigated.

Uninsured risk

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

Other business risks

In addition to the current principal risks identified above and those disclosed in note 17, the Group's business is subject to risks relating to the financial markets and commodity markets. The buoyancy of both the aforementioned markets can affect the ability of the Group to raise funds for exploration. The Group has identified certain risks pertinent to its business including:

Strategic and Economic:

- Business environment changes
- Limited diversification

Operational:

- Difficulty in obtaining and maintaining / renewing Licences/ approvals

Commercial:

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

Human Resources and Management:

- 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

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.

Key performance indicators

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

- Progress with exploration, monitoring licence commitments and environmental compliance;
- Cash management – sufficient to meet its obligations as they fall due.

Capital structure

The Company's capital consists of ordinary shares which rank pari passu in all respects which are traded on the Standard segment of the Main Market of the London Stock Exchange. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes. There are no arrangements in place between shareholders that are known to the Company that may restrict voting rights, restrict the transfer of securities, result in the appointment or replacement of Directors amend the Company's articles of association or restrict the powers of the Company's Directors, including in relation to the issuing or buying back by the Company of its shares or any significant agreements to which the Company is a party that take effect after or terminate upon, a change of control of the Company following a takeover bid or arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur because of a takeover bid.

On behalf of the Board:

Michael Foster
Director
30 April 2019

CORPORATE GOVERNANCE

The Chairman of the Board of Directors of Kavango Resources plc ('Kavango' or 'the Company') has a responsibility to ensure that Kavango has a sound corporate governance policy and an effective Board.

As a Company listed on the Standard Segment of the Official List of the UK Listing Authority, the Company is not required to comply with the provisions of the UK Corporate Governance Code. However, the Board is committed to maintaining high standards of corporate governance and so far, as appropriate given the Company's size and the constitution of the Board, complies and intends to comply with The Corporate Governance Guidelines for Small and Mid-Sized Companies (the "QCA Code").

In light of the Company's size and recent history, the Company has deviated from the QCA Code in the following respects:

- The provisions relating to the composition of the Board and the division of responsibilities are not being complied with as the Board feels these provisions to be inapplicable, given the size of the Company and the limited scope of its activities
- The Board do not consider an internal audit function to be applicable due to the limited number of transactions.
- A diversity policy as applied to the Company's administrative management and supervisory bodies has not yet been developed but biographies of directors and senior management and their relevant experiences are set out on page 8.

The Directors are responsible for internal control in the Company and for reviewing effectiveness. Due to the size of the Company, all key decisions are made by the Board. The Directors have reviewed the effectiveness of the Company's systems during the period under review and consider that there have been no material losses, contingencies or uncertainties due to weaknesses in the controls.

Details of the Company's business model and strategy are included in the Chairman's Statement, the Chief Executive Officer's Report and the Strategic Report.

The Company will provide updates on our compliance with the Code. The Board considers that the Company complies with the QCA code so far as is practicable having regard to the size, nature and current stage of development of the Company.

The sections below set out how the Group applies the principles of the QCA Code and sets out areas of non-compliance.

Strategy and business model which promotes long-term value for shareholders

The Company is involved with base metal exploration in Botswana. Our goal is to deliver long term value for our shareholders. We aim to do this by identifying good quality grassroots and early-stage exploration projects. Consequently we:

- use our expertise to identify those areas with potential for economically feasible deposits,
- assess the business environment of Botswana and its attractiveness for prospecting and eventual mining operation,
- understand existing interests in a prospecting licence area in order to ensure we can earn-in to existing interests on terms favourable to our shareholders.

Early stage mineral exploration is by its nature speculative and we aim to reduce the risks inherent in the industry by careful application of funds throughout individual projects. We do that by:

- Reviewing existing exploration data;
- Establishing close in-country partnerships and financing for our projects;
- Applying the most appropriate cost-effective exploration techniques in order to determine whether further work, using increasingly expensive exploration techniques, is justified; and
- Appreciating the likely realisation routes that will be available to us as the project moves towards development.

Shareholder communications

The Company is committed to engaging with its shareholders to ensure that its strategy, operational results and financial performance are clearly understood. We engage with our shareholders via roadshows, attending investor conferences and

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through our regular reporting on the London Stock Exchange. Roadshows are typically timed to follow the release of interim and final results. The Company regularly takes part in investor conferences, both in the UK and internationally. LSE announcements include details of the website, Twitter page and include phone numbers to contact the Company and its professional advisors.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. All Directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are announced via the London Stock Exchange. In addition, the Executive Director regularly attends investor forums specific to the mining industry and engage with shareholders at those events. Investors can contact us via our website (www.Kavangoresources.com) or by email (mfoster@Kavangoresources.com).

Retail shareholders also regularly attend investor evenings held by our brokers or other industry bodies and we publicise our attendance via LSE announcements and Twitter. In addition, our up to date Corporate presentation is made available on our website.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Directors. The Directors make presentations to institutional shareholders and analysts throughout the year, mainly in London and Cape Town through events such as Mines and Money, Indaba and 121 Group. We also have ad-hoc meetings with our shareholders via conference call and email. The Board as a whole is kept informed of the views and concerns of major shareholders by the Chief Executive Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Director are available to meet with major shareholders if required to discuss issues of importance to them and are considered to be Independent from the executive management of the Company.

Wider stakeholder and social responsibilities and their implications for long term success.

Aside from our shareholders, our most important stakeholder groups are our employees, local partners and those local communities that may be impacted by our exploration activities. The Board is regularly updated on stakeholder issues and their potential impact on our business to enable the Board to understand and consider these issues in decision-making. The Board understands that maintaining the support of all its stakeholders is paramount for the long-term success of the Company.

Employees

We maintain only a small permanent staff in the UK and Botswana and as such employee engagement with the Directors is frequent with a scheduled weekly team call as well as daily meetings and discussions.

Local partners and communities

Our operations provide employment in remote areas of Botswana. Essential to our success is the establishment of close working relationships with local partners. We seek local partners who have a good understanding of the local exploration and mining industry and regulations within the country, and with the capacity and capability to assist with the management and maintenance of the project.

We are mindful of our obligations to the local environment and operate to high levels of health and safety in respect of both our local workers and the local community. Employee training focuses on operating safely and considerately in these communities. Engagement with local communities is dependent on jurisdiction and the stage of exploration but is typically by public forum or with local or regional leaders, including site visits and workshops. Social projects in the local communities are dependent on local need and also the stage of exploration/level of project investment. Examples of our social projects will include drilling boreholes for water, provision of medical clinics, supply of equipment to a local school and building a new road.

As projects move forward, towards potential mining activities, we seek to bring in partners who can credibly make the investments to move towards mine production. In doing so we have regard for their ability and desire to move projects

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forward, their industry reputation and their commitment to treating the local communities fairly and protecting the environment. We enter agreements that allow us to monitor their activities and have monthly updates on project progress.

Risk management and mitigation

Audit, risk and internal control

Financial controls

The Company has a framework of internal financial controls, the effectiveness of which is regularly reviewed by the Directors and the Audit Committee. The key financial controls are:

- The Board is responsible for reviewing and approving overall Company strategy, approving new exploration projects and budgets, and for determining the financial structure of the Company including treasury, tax and dividend policy. Monthly results and variances from plans and cash flow forecasts are reported to the Board;
- The Audit Committee, comprising the two Non-executive Directors, assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls;
- Regular budgeting and forecasting is performed to monitor the Company's ongoing cash requirements and cash flow forecasts are circulated to the Board on a monthly basis;
- Actual results are reported against budget and prior year and are circulated to the Board;
- The Company has an investment appraisal system that considers expected costs against a range of potential outcomes arising from the exploration opportunities that we are invited to participate in;
- Regular reviews of exploration results are performed as the basis for decisions regarding future expenditure commitment;
- Due to the international nature of the business there are, at times, significant foreign exchange rate movement exposures. Cash flow forecasting is done at the 'required currency' level and foreign currency balances are maintained to meet expected requirements; and
- We manage exploration risk of failure to find economic deposits by low cost early stage exploration techniques, with detailed analysis of results. Moving projects to more expensive exploration techniques requires a rigorous review of results data prior to deciding whether to proceed with further work.

Non-financial controls

The Board has ultimate responsibility for the Company's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Company. The principal elements of the Company's internal control system include:

- Close management of the day-to-day activities of the Company by the Executive Director
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks; and
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Company reviews at least annually the effectiveness of its system of internal control, whilst also having regard to its size and the resources available. As part of the Company's plans we continue to review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, and corporate social responsibility. All employees are aware of their obligations under anti-bribery and corruption legislation.

Maintaining the Board as a well-functioning, balanced team led by the Chairman

The Board comprises the Non-Executive Chairman, one Executive Director and one Non-Executive Director. During the current financial year, Douglas Wright acted as Non-Executive Chairman. Mike Moles was appointed as a Non-Executive Director. Both Non-executive Directors have extensive experience in the mining industry, are qualified financier and geologist, respectively, and have considerable experience of serving on the Board of public companies.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company and industry on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

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The Board aims to meet at least quarterly. The agenda is set by the Chief Executive in consultation with the Chairman. The standard agenda points include:

- Review of previous meeting minutes and actions arising there from;
- A report by the CEO covering all operational matters;
- A report from the CFO covering all financial matters;
- Any other business including update of Register of Conflicts

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. A Register of Conflicts is maintained and is a standard agenda item at each Board Meeting. The Directors have access to the Company's advisers, its brokers and its lawyers. The advisers do not typically provide materials for Board meetings except if requested to do so for the purposes of discussing upcoming regulations and other issues.

Board meetings are deemed quorate if two Board members are present and providing 7 days' notice of such meeting has been given and waived by the non-attending Directors.

Directors and Officers Liability insurance is maintained for all Directors.

The table below sets out the attendance statistics for all current Board members through 2018:

	Meetings attended	Meetings held since appointment as a Director
Douglas Wright	6	6
Michael Foster	6	6
Mike Moles	6	6
John Forrest (CoSec)	6	6

Directors experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, particularly so in the area of base metal exploration and development. All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. Contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

New Directors will be selected having regards to the Company's needs for a balance of operational, industry, legal and financial skills. Experience of the Mining industry and in particular the exploration sector is important but not critical, as is experience of running a public company.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors

Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

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Policy on payment for loss of office

Payment for loss of office would be determined by the Remuneration Committee, taking into account contractual obligations.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense from lawyers, brokers and other professional advisors that they deem relevant. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

Board performance based on clear and relevant objectives

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. Over the same period the Non-Executive Directors will be seeking to set clear and relevant objectives for the Executive Director, and for the Board as a whole.

A culture that is based on ethical values and behaviours

The Board aims to lead by example and do what is in the best interests of the Company. We operate in remote and under-developed areas and ensure our employees understand their obligations towards the environment and in respect of anti-bribery and corruption.

A weekly call attended by all senior employees serves to refresh and re-iterate the Company's ethical standards as they apply to the operational issues that are discussed on that call.

Maintain governance structures and committees that allow good decision-making by the Board

Board programme

The Board aims to meet quarterly and as and when required. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. During the year to December 2018 the Board met six times. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Chief Executive several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and are then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Company strategy; approval of exploration projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company. Together with the Chief Financial Officer and other senior employees, he is responsible for establishing and enforcing systems and controls, and liaison with external advisors. He has responsibility for communicating with shareholders, assisted by the CFO and other senior employees.

All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings when deemed appropriate by the Chief Executive or Chairman, to present business updates.

Board committees and Policies

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Audit and Risk Committee

The Audit and Risk Committee, which comprises Douglas Wright and Mike Moles, is responsible, amongst other things, for monitoring the Group's financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and half yearly financial statements, reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process and reviewing the effectiveness of the Group's internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit and Risk Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

Specific risks are set out in the Strategic Report.

The Remuneration Committee

The Remuneration Committee, which comprises Douglas Wright and Mike Moles, is responsible, amongst other things, for assisting the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, including setting the parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors and the Group. It is also responsible for approving the rules and basis for participation in any performance related pay-schemes, share incentive schemes and obtaining reliable and up-to-date information about remuneration in other companies. The Remuneration Committee shall meet at least two times a year.

Nomination Committee

The Nomination Committee, which comprises Douglas Wright and Mike Moles, will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required.

Share dealing policy

The Company has adopted a share dealing policy which sets out the requirements and procedures for dealings in any of its listed securities. The share dealing policy applies widely to all Directors of the Company and its subsidiaries, certain employees' and person closely associated with them.

The policy complies with the Market Abuse Regulations, which came into effect on 10 July 2016.

Dividend policy

The Company has never declared or paid any dividends on the Ordinary Shares. The Company currently intends to pay dividends on future earnings, if any, when it is commercially appropriate to do so. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Company's results of operations, financial condition and solvency and distributable reserves tests imposed by corporate law and such other factors that the Board may consider relevant. The Company's current intention is to retain any earnings for use in its business operations and the Company does not anticipate declaring any dividends in the foreseeable future.

Anti-bribery and corruption policy

The Company is adopting an Anti-Corruption and Bribery Policy which applies to the Directors and all employees of the Company. The Board believes that the Group, through its internal controls, has appropriate procedures in place to reduce the risk of bribery and that all employees, agents, consultants and associated persons are made fully aware of the Group's policies and procedures with respect to ethical behaviour, business conduct and transparency.

Health and safety

The safety of the Group's employees and contractors is critical to its operations.

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Kavango aims to prevent all incidents and accidents at its operations and in a reasonably practicable manner and strives to minimise hazards inherent in the working environment.

The Company is committed to providing a working environment that is conducive to good health and safety; managing risks in the workplace and surveillance of workplaces and employees; complying with applicable legal requirements; ensuring that appropriate resources, training and personal protective equipment are provided to improve occupational health and safety; ensuring that employees and contractors have the relevant skills to perform work-related tasks in a safe manner and that they are aware of their individual health and safety obligations and rights.

Environmental policy

Kavango plans to undertake its exploration activities in a manner that strives to minimize or eliminate negative impacts and maximize positive impacts of an environmental or socio-economic nature. The Company is committed to responsible stewardship of natural resources and the ecological environment.

The Company aims to continually improve its environmental performance and the prevention of pollution, reduce or control the creation, emission or discharge of any type of pollutant or waste and to reduce adverse environmental impacts; the integration of environmental management into management practices throughout the company; rehabilitate disturbed land as much as possible and protect environmental biodiversity; protect cultural heritage resources; comply with applicable legal requirements; and train and educate employees in environmental responsibilities.

Social policy

Kavango aims to minimise potential negative social impacts while promoting opportunities and benefits for host communities.

The Company is committed to continually improving community development and community investment programmes through monitoring, measuring and managing our social and economic impacts; placing local people at the centre of development by helping to build their capacity to control their own development. The Company is adopting a Social Media Policy to minimise the risks to the Group's business through use of social media.

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year results announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. The Company regularly posts LSE announcements covering operational and corporate matters, such as drilling results and significant changes in ownership positions across historic projects in which it still retains an investment. A range of corporate information (including all Company announcements and a corporate presentation) is also available to shareholders, investors and the public on the Company's corporate website, www.kavangoresources.com and also on its Twitter feed @KAV.

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the CEO, CFO and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

KAVANGO RESOURCES PLC

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 2018 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 2018 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 EU;
- 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; and, as regards the group financial statements, Article 4 of the IAS Regulation.

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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements which indicates that the group incurred a net loss of US\$534,342 and is not expected to generate any revenue or positive cashflows from operations in the 12 months from the date at which the financial statements are authorised for issue.

The directors have prepared budgets up to 30 April 2020 which show that, after taking into account non-discretionary costs for the next 12 months, the group has insufficient remaining funds available to finance the planned exploration programme. The ability of the group to meet its expenditure requirements and develop its projects is therefore dependent on successfully raising funds on the open market, which is planned for within the next 12 months. As stated in Note 2 these events or conditions along with other matters set forth in this Note, indicate that a material uncertainty exists that may cast significant doubt on the ability of the group and parent company to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our application of materiality

Group materiality 2018	Group materiality 2017	Basis for materiality
\$60,000	\$46,000	2% of gross assets

Our calculated level of materiality has increased from the previous year. This is predominantly due to the increase in asset balances as a result of fundraising during the year and engaging in further exploration activity. We do not consider the inherent risks to have increased and therefore consider materiality based on 2% of gross assets remains appropriate.

We consider gross assets to be the most significant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being intangible exploration and evaluation assets and cash and cash equivalents. The going concern of the group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group.

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

Whilst materiality for the financial statements as a whole was set at \$60,000, each significant component of the group was audited to an overall materiality ranging between \$41,000 - \$60,000 with performance materiality set at 70%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We agreed with the audit committee that we would report to the committee all audit differences identified during the course of our audit in excess of \$3,000 (2017: \$2,300). There were certain misstatements identified during the course of our audit that were individually considered to be material and adjusted for by management.

An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including the carrying value of exploration, evaluation and development expenditure, the valuation of share-based payments, the carrying value and recoverability of investments in subsidiaries at parent company level, and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the group's operating components which, for the year ended 31 December 2018, were located in the United Kingdom, Botswana, and Mauritius, with the group's accounting functions being based in the UK and Botswana.

The Botswana and Mauritius components were audited by PKF network firms operating under our instruction. These audits were performed both for consolidation purposes as well as local statutory purposes. There was regular interaction with the component auditors during all stages of the audit, and we were responsible for the scope and direction of the audit process.

We obtained and reviewed remotely the key audit working papers prepared by the auditors of the Botswanan component, which related to the work performed on the significant risks identified at group level. The component auditor also provided their findings to us which were reviewed and challenged accordingly.

The Mauritian component was not identified as being a material component to the group, being that it is a holding company for the Botswanan component in which the exploration assets are held. However, specific procedures were performed by us as group auditors in order to obtain sufficient appropriate audit evidence to address the significant risk identified in relation to the carrying value of investments.

This gave us sufficient appropriate evidence for our opinion on the group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p>Carrying value and appropriate capitalisation of Intangible assets GROUP</p> <p>The group has reported intangible assets of \$2,287,993 in its Consolidated Statement of Financial Position as at 31 December 2018 which comprise exploration and evaluation assets in Botswana.</p> <p>There is a risk that these assets have been incorrectly capitalised in accordance with IFRS 6 and that their carrying value should be impaired.</p> <p>As shown in Note 10 to the financial statements, the directors have concluded that no impairment charge is necessary.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Confirmation that the group has good title to the applicable exploration licenses; • A review of the component auditor's work in respect of capitalised costs including the considerations made in respect of IFRS 6's recognition criteria; and • Critical review of management's impairment paper and challenge of all key assumptions therein, as well as considerations of the impairment triggers listed under IFRS 6.

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

	We are satisfied that costs capitalised in the year are in accordance with IFRS 6 and that the carrying value of intangible assets is not overstated.
Carrying value of investments in subsidiaries <i>COMPANY</i>	
Investments in subsidiaries, as shown in Note 11, is the only significant asset in the parent company's Statement of Financial Position. Given the continuing losses there is a risk that the investments in the subsidiary which holds the intangible assets may not be fully recoverable.	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Confirmation of the parent company's ownership of its investments in subsidiaries; and • Consideration of the recoverability of investments by reference to underlying net asset values, including reference to the impairment paper prepared by management in relation to exploration and evaluation assets and reasonability of assumptions included therein. <p>We are satisfied surrounding the recoverability of investments in subsidiaries.</p>

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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.

Other matters which we are required to address

We were appointed by the Board of Directors on 20 March 2018 to audit the financial statements for the period ending 31 December 2017 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2017 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or parent company and we remain independent of the group and the parent company in conducting our audit.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussions with the directors. We considered the extent of compliance with those laws and regulations as part of our procedures on the related group and parent company financial statement items. We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit. As with any audit, there remained a risk of non-detection of irregularities, as these may have involved collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit opinion is consistent with the additional report to the audit committee.

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.

Zahir Khaki (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

30 April 2019

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 US\$	2017 US\$
Continuing operations			
Administrative expenses	6	(534,242)	(44,055)
Other income		-	50,000
Profit/(Loss) before taxation		<u>(534,242)</u>	<u>5,945</u>
Taxation	8	-	-
Profit/(Loss) for the year attributable to owners of the parent		<u><u>(534,242)</u></u>	<u><u>5,945</u></u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation difference		(221,065)	207,258
Total comprehensive income for the year attributable to owners of the parent		<u><u>(755,307)</u></u>	<u><u>213,203</u></u>
Earnings per share from continuing operations attributable to owners of the parent			
Basic and diluted (cents)	9	<u><u>(0.76)</u></u>	<u><u>0.01</u></u>

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Non-current assets			
Property, plant and equipment	10A	22,751	1,610
Intangible assets	10	2,287,993	2,359,425
Total non-current assets		<u>2,310,744</u>	<u>2,361,035</u>
Current assets			
Trade and other receivables	12	114,825	142,256
Cash and cash equivalents	13	954,372	386,417
Total current assets		<u>1,069,197</u>	<u>528,673</u>
Total assets		<u>3,379,941</u>	<u>2,889,708</u>
Current liabilities			
Trade and other payables	13	70,782	146,241
Amounts due to shareholders	18, 20	-	160,391
Total liabilities		<u>70,782</u>	<u>306,632</u>
Net current assets/(liabilities)		<u>998,415</u>	<u>222,041</u>
Net assets		<u>3,309,159</u>	<u>2,583,076</u>
Equity attributable to owners of the parent			
Called up share capital	15	171,025	100,063
Share premium	15	4,981,362	3,760,890
Share option reserve	16	189,956	-
Foreign Currency Exchange Reserve		(31,543)	189,522
Reorganisation reserve	11	(1,590,777)	(1,590,777)
Retained earnings		(410,864)	123,378
Total equity attributable to owners of the parent		<u>3,309,159</u>	<u>2,583,076</u>

This report was approved by the board and authorised for issue on 30 April 2019 and signed on its behalf by:

.....
Michael Foster
Director

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

Company registration number: 10796849 (England and Wales)

	Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Non-current assets			
Investment in subsidiaries	11	3,500,000	3,500,000
Total non-current assets		<u>3,500,000</u>	<u>3,500,000</u>
Current assets			
Trade and other receivables	12	596,806	135,505
Cash and cash equivalents	13	937,124	348,653
Total current assets		<u>1,533,930</u>	<u>484,158</u>
Total assets		<u>5,033,930</u>	<u>3,984,158</u>
Current liabilities			
Trade and other payables	14	62,967	133,603
Amounts due to shareholders	18, 20	-	23,143
Total liabilities		<u>62,967</u>	<u>156,746</u>
Net current assets		<u>1,470,963</u>	<u>327,412</u>
Net assets		<u>4,970,963</u>	<u>3,827,412</u>
Equity			
Called up share capital	15	171,025	100,063
Share premium	15	4,981,362	3,760,890
Share option reserve	16	189,956	-
Foreign exchange reserve		187,789	-
Retained earnings		<u>(559,169)</u>	<u>(33,541)</u>
Total equity		<u>4,970,963</u>	<u>3,827,412</u>

Kavango Resources Plc has used the exemption granted 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 2018 was US\$337,839 (2017: US\$33,541).

This report was approved by the board and authorised for issue on 30 April 2019 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 2018

	Share Capital	Share Premium	Reverse Acquisition Reserve	Foreign Exchange Reserve (restated)	Retained Earnings	Share Options	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 January 2017	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	-	-	-	207,258	-	-	121,010
Total comprehensive income for the year	-	-	-	207,258	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)	189,522	123,378	-	2,583,076
Loss for the year	-	-	-	-	(534,242)	-	(534,242)
Other Comprehensive Income(loss) for the year - foreign currency exchange difference	-	-	-	(221,065)	-	-	(218,956)
Total comprehensive income for the year	-	-	-	(221,065)	(534,242)	-	(755,307)
Shares issued net of costs	70,962	1,220,472	-	-	-	-	1,291,434
Group reorganisation	-	-	-	-	-	-	-
Share options granted	-	-	-	-	-	189,956	189,956
Total transactions with owners recognised directly in equity	70,962	1,220,472	-	-	-	189,956	1,481,390
As at 31 December 2018	171,025	4,981,362	(1,590,777)	(31,543)	(410,864)	189,956	3,309,159

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Share Premium	Foreign Exchange Reserve (restated)	Share Options	Retained Earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2017	-	-	-	-	-	-
Loss for the year			-		(33,541)	
Total comprehensive loss for the year	-	-	-	-	(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
Balance at 31 December 2017	100,063	3,760,890	-	-	(33,541)	3,827,412
Loss for the year	-	-	-	-	(525,628)	(525,628)
Foreign currency exchange difference			187,789			187,789
Total comprehensive loss for the year	-	-	187,789	-	(525,628)	(337,839)
Issue of shares net of costs	70,962	1,220,472	-	-	-	1,291,434
Share options granted				189,956		189,956
Total transactions with owners recognised directly in equity	70,962	1,220,472	-	189,956		1,481,390
Balance at 31 December 2018	171,025	4,981,362	187,879	189,956	(559,169)	4,970,963

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
Share option reserve:	Amount reserved for share capital issued on exercise of share options

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	US\$	US\$
Cash flows from operating activities			
(Loss)/Profit before taxation		(534,242)	5,945
Share option expense		189,965	-
Depreciation		7,068	-
Foreign exchange		-	122,872
		<hr/>	<hr/>
Net cash flows generated from operating activities before changes in working capital		(337,218)	128,817
		<hr/>	<hr/>
(Increase) decrease in trade and other receivables		27,431	(66,226)
Increase(decrease) in current liabilities		(75,459)	59,677
		<hr/>	<hr/>
Net cash outflow from operating activities		(385,246)	(790)
		<hr/>	<hr/>
Investing activities			
Purchase of intangible assets, net		(272,581)	(125,130)
Purchase of fixed assets	10	(28,338)	-
		<hr/>	<hr/>
Net cash used in investing activities		(300,919)	(125,130)
		<hr/>	<hr/>
Financing activities			
Loans	18	(43,921)	43,921
Proceeds from issue of shares net of issue costs	15	1,291,434	326,609
		<hr/>	<hr/>
Net cash generated from financing activities		1,247,513	370,530
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		561,348	367,669
		<hr/>	<hr/>
Cash and cash equivalents at beginning of year		386,417	18,748
Forex translation difference		6,552	-
		<hr/>	<hr/>
Cash and cash equivalents at end of year	13	954,317	386,417
		<hr/> <hr/>	<hr/> <hr/>

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	US\$	US\$
Cash flows from operating activities			
Loss before taxation		(525,628)	(33,541)
Share option expense		189,956	-
Foreign exchange		-	(187)
		<hr/>	<hr/>
Net cash flows generated from operating activities before changes in working capital		(335,652)	(33,728)
		<hr/>	<hr/>
(Increase) decrease in trade and other receivables		198,206	(100,974)
Increase(decrease) in trade and other payables		(70,635)	133,603
		<hr/>	<hr/>
Net cash outflow from operating activities		(208,081)	(1,099)
		<hr/>	<hr/>
Investing activities			
Loans to group companies	12	(491,473)	-
		<hr/>	<hr/>
Net cash used in investing activities		(491,473)	-
		<hr/>	<hr/>
Financing activities			
Loans	17	(23,143)	23,143
Proceeds from issue of shares net of issue costs	15	1,291,434	326,609
		<hr/>	<hr/>
Net cash generated from financing activities		1,268,291	349,752
		<hr/>	<hr/>
Net increase in cash and cash equivalents		568,737	348,653
		<hr/>	<hr/>
Cash and cash equivalents at beginning of year		348,653	-
Forex translation difference		19,734	-
		<hr/>	<hr/>
Cash and cash equivalents at end of year	13	937,124	348,653
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 base metals in Botswana.

2. Significant Accounting policies

Statement of compliance

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and IFRS Interpretations Committee (‘IFRS IC’) as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS and IFRS IC interpretations. The Group and Company Financial Statements have also been prepared under the historical cost convention,

The financial information is presented in UD Dollars (“US\$”), which is the Group’s presentational currency rounded to the nearest dollar.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group and Company Financial Statements are disclosed in Note 3.

Changes in accounting policies and disclosures

i) New and amended standards adopted by the Group and Company

As of 1 January 2018, the Group and Company adopted IFRS 9, Financial Instruments (‘IFRS 9’), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (‘FVOCI’), and fair value through the profit and loss statement (‘FVTPL’). The basis of classification depends on

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset.

Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income.

There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. The Company has no other financial assets (except those at amortised cost) and as a result there is no impact of the new impairment requirements to the Financial Information.

From 1 January 2018, the Group and Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

At initial recognition, the Group and Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets are expensed and carried at FVTPL.

Financial Liabilities

The Group and Company reviewed the financial liabilities reported on its Statement of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the trade and other payables. Based on this assessment of the classification and measurement model, impairment, and interest expense, the accounting impact on financial liabilities was determined not to be material.

For financial liabilities there were no changes to classification and measurement.

The Company has applied IFRS 9 but there have been no adjustments required following adoption other than changes in terminology.

Of the other IFRSs and IFRICs adopted, none have a material effect on the Group or Company Financial Statements.

- ii) *New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted*

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IFRS 16	Leases	1 January 2019
IFRS 9 (Amendments)	Prepayment features with negative Compensation	1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	1 January 2019
2015-2017 Cycle	Annual improvements to IFRS Standards	1 January 2019
IFRS 3 (Amendments)	Business combinations	Not yet determined

Of the other IFRSs and IFRICs, none are expected to have a material effect on the Group or Company Financial Statements.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Significant Accounting policies (continued)

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Group Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Investments in subsidiaries are accounted for at cost less impairment within the Company Financial Statements. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

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.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Significant Accounting policies (continued)

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 to 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.

Going concern

The Group and Company Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors are of the view that, whilst the Group has funds to meet its immediate working capital needs, the Group will need to raise funds later in the year to meet its planned exploration expenses that they wish to undertake over the next 12 months from the date these Financial Statements.

The Group has financial resources which the Directors consider is insufficient to fund the Group's committed expenditure both operationally and on some various exploration projects in the short term and thus acknowledge that additional funding will be required. The amount of funding the Group will be required to raise will be either via an issue of equity or through the issuance of debt. The Directors are reasonably confident that funds will be forthcoming and are actively talking to investors. Should additional funding not be forthcoming the Directors have agreed, if circumstances require, to defer payment of their fees until such time as adequate funding is received and if necessary scale back exploration activity.

The Directors have a reasonable expectation that the Group and Company will be able to raise the required funds and thus anticipate that adequate resources will be available to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Group and Company Financial Statements.

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.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Significant Accounting policies (continued)

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.

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.

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.

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.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Significant Accounting policies (continued)

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.

Segment Reporting

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Investment in subsidiaries

Investments in Group undertakings are stated at cost, which is the fair value of the consideration paid, less any impairment provision.

Property, plant and equipment

Property, Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Geological and Field Equipment including Vehicles

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and Company. The Group and Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and Company has transferred substantially all the risks and rewards of the asset, or (b) the Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. IFRS 9.5.5.1 ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. IFRS 9.4.2.1(a) Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. Significant Accounting policies (continued)

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.

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.

Share based payments

The Group operates a number of equity-settled, share-based schemes, under which the Group receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The fair value of the third party suppliers' services received in exchange for the grant of the options is recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the service provided. The value of the employee services received is expensed in the Statement of Comprehensive Income and its value is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The fair value of the share options and warrants are determined using the Black Scholes valuation model.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

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

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. None of these risks are hedged.

Risk management is carried out by the London based management team under policies approved by the Board of Directors.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to enable the Group to continue its exploration and evaluation activities, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets to reduce debts.

At 31 December 2018 the Group had borrowings of nil (2017: nil) and defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

Given the Group's level of debt versus its cash at bank and cash equivalents, the gearing ratio is immaterial.

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

Exploration and evaluation costs have a carrying value at 31 December 2018 of \$2,287,993(2017: \$2,359,425). Such assets have an indefinite useful life as the Group has a right to renew exploration licences and the asset is only amortised once extraction of the resource commences. 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 options and 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.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018	31-Dec 2017
	US\$	US\$
Continuing operations		
Exploration (Botswana)	-	50000
Corporate ((London and Mauritius)	(534,242)	(44,055)
Profit/(loss) before tax	(534,242)	5,945
Income tax	-	-
Profit/(loss) after tax	(534,242)	5,945

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 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
	US\$	US\$	US\$	US\$
Intangible assets and equipment (Botswana)	2,310,744	2,361,035	-	-
Corporate (London and Mauritius)	-	-	-	-
Total of all segments	2,310,744	2,361,035	-	-
	Total Assets		Total Liabilities	
	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
	US\$	US\$	US\$	US\$
Exploration (Botswana)	2,313,179	2,369,035	1,119	10,088
Corporate (London and Mauritius)	1,066,761	520,673	69,663	296,544
Total of all segments	3,379,940	2,889,708	70,782	306,632

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

5. Other income

Other income relates to the payment received by the Group under an earn in agreement which was terminated in 2018. There was no income during 2018 from this agreement.

6. Expenses by nature

Expenses by nature

	Group	
	31 December 2018 US\$	31 December 2017 US\$
Directors' fees	42,988	-
Stock exchange related costs (including public relations)	42,567	-
Auditor remuneration	42,563	33,541
Investor Relations	51,858	-
Travel & subsistence	23,016	-
Professional & consultancy fees including Legal	36,649	10,514
Insurance	9,029	-
Corporate advisory and Broker Fee	69,219	-
Share Option expense	189,956	-
Office and Other expenses	26,397	-
Total administrative expenses	534,242	44,055

Services provided by the Company's auditor and its associates

During the period, the Group (including overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	Group	
	31 December 2018 £	31 December 2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company and Group Financial Statements	42,563	33,541

7. Employees

Employment costs consist of:

Group	2018 US\$	2017 US\$
Wages and salaries including any Social security costs	59,679	8,660
	59,679	8,660

The amounts detailed above were paid by Kavango Minerals (Pty) Ltd and capitalised in intangible assets.

Company

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors during the year were paid USD2 42,988 which is included in Directors Fees in Note 6 and the Company Secretary was paid USD 19,347 which is included in Professional fees in Note 6.

Further details are provided in Directors Remuneration Report on Page 12

The average monthly number of employees during the period was:

Group	2018	2017
Directors	3	2
Employees	5	7
	8	9
	8	9
Company	2018	2017
Directors	3	2
Employees	1	-
	4	2
	4	2

8. Taxation

	2018	2017
	US\$	US\$
Current taxation	-	-
Deferred taxation	-	-
	-	-
	-	-
Profit / (loss) before tax	(534,242)	5,945
Tax at the applicable rate of 19.8% (2017:19.2%)	(105,780)	1,142
Effect of different tax rates in other jurisdictions	1,706	(1,660)
Tax losses carried forward	104,074	518
Current tax	-	-

The weighted average applicable tax rate of 19.8% (2017: 19.20%) used is a combination of the 19% standard rate of corporation tax in the UK, 22% Botswana corporation tax and exempt from Mauritius corporation 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\$2,165,667 (2017: US\$2,700) 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 losses may be used.

9. Earnings per share

	31-Dec	31-Dec
	2018	2017
Earnings/(losses) per Share (basic) – cents	(0.76)	0.01

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:

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

- 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 2018	31-Dec 2017
Profit/(Loss) for the year from continuing operations (used in calculation of basic EPS from continuing operations) (US\$)	(534,242)	5,945
Weighted average number of Ordinary shares in issue	99,169,996	39,905,457

In accordance with IAS 33, basic and diluted earnings per share are identical for the Group as the effect of the exercise of share options would be to decrease the earnings per share. Details of share options that could potentially dilute earnings per share in future periods are set out in Note 16.

10. Intangible assets

Group	31-Dec 2018	31-Dec 2017
Evaluation and Exploration Assets – Cost and net book value	US\$	US\$
At period start (1 January)	2,359,425	2,005,953
Additions, net	272,581	204,868
Translation difference	(344,013)	148,604
At period end (31 December)	2,287,993	2,359,425

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

Exploration projects in Botswana are at an early stage of development and there are no JORC (Joint Ore Reserves Committee) or non-JORC compliant resource estimates available to enable value in use calculations to be prepared.

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.

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

10A Exploration Field Equipment

Group	31-Dec 2018	31-Dec 2017
Exploration Field Equipment	US\$	US\$
Net Book Value at period start (1 January)	1,610	1,610
Additions	(28,338)	-
Depreciation	(7,068)	-
Translation difference	(129)	-
Net Book Value at period end (31 December)	22,751	1,610

The Group's Exploration Field Equipment includes all fixed assets in Botswana, including vehicles used in field activities by geology staff. Depreciation of \$ 7,068 was capitalised in Intangible assets.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

11. Investments in subsidiaries

Company	2018 US\$	2017 US\$
At incorporation	3,500,000	-
Additions	-	3,500,000
At period end (31 December)	<u>3,500,000</u>	<u>3,500,000</u>

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

On 7 December 2017 the Company 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.

Principal subsidiaries

Name	Country of incorporation and residence	Nature of business	Proportion of equity shares held by Company
Navassa Resources Ltd Level 3, 35 Cybercity Ebene Mauritius	Mauritius	Holding	100%
Kavango Minerals (Pty) Ltd Plot 1306 Government Camp Francistown Botswana	Botswana	Base Metals 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.

12. Trade and other receivables

	Group		Company	
	31-Dec 2018 US\$	31-Dec 2017 US\$	31-Dec 2018 US\$	31-Dec 2017 US\$
Other receivables and prepayments	114,825	142,256	596,806	135,505
	<u>114,825</u>	<u>142,256</u>	<u>596,806</u>	<u>135,505</u>

Group Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above.

Included in other receivables are amounts owed by subsidiaries of \$491,473 (2017- \$nil). This amount is interest free and repayable on demand.

13. Cash and cash equivalents

	Group		Company	
	31-Dec 2018 US\$	31-Dec 2017 US\$	31-Dec 2018 US\$	31-Dec 2017 US\$
Cash and cash equivalents	954,371	386,417	937,124	348,653
	<u>954,371</u>	<u>386,417</u>	<u>937,124</u>	<u>348,653</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

Cash and cash equivalents consist of balances in bank accounts used for normal operational activities.

14. Trade and other payables

	Group		Company	
	31-Dec 2018 US\$	31-Dec 2017 US\$	31-Dec 2018 US\$	31-Dec 2017 US\$
Other payables	70,782	146,241	62,967	133,603
	<u>70,782</u>	<u>146,241</u>	<u>62,967</u>	<u>133,603</u>

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

15. Share capital

	Number of shares	Share capital US\$	Share premium US\$	Total US\$
Issued and fully paid				
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/ 1 January 2018	74,169,996	100,063	3,760,890	3,860,953
Issue of shares at US\$0.0328	60,000,000	78,720	1,889,280	1,968,000
Issue costs	-	-	(83,508)	(83,508)
IPO costs	-	-	(345,048)	(345,048)
Foreign Exchange Loss (Gain)	-	(7,758)	(240,252)	(248,010)
As at 31 December 2018	134,169,996	171,025	4,981,362	5,152,387

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 2016 the figures represent those of Navassa Limited and subsequent to 2016 those of Kavango Resources Plc.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

On 21 December 2017 4,169,996 shares were allotted and issued at a price of GBP 0.06(US\$0.08) per Ordinary Share.

On 31 July 2018 60,000,000 shares were allotted and issued at a price of GBP 0.025(US\$ 0.0328) per Ordinary Share.

16. Share based payments

Warrants

(i)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 4,169,996 Subscriber Warrants granted in 2017 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.

(ii)During the IPO share placement that was completed on 31 July 2018 the Company issued 60,000,000 warrants to each of the subscribers and 2,146,000 broker warrants. Each subscriber 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\$0.31). Each broker warrant entitles the warrant holder to subscribe for one ordinary share at a price of 2.5p (US\$0.033). These warrants have not been recognised in the financial statements as their fair value is not material.

(ii)(a)The fair value of US\$ 514 for the 60,000,000 Subscriber Warrants granted in 2018 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)	Nominal
Share price at the date of grant (US\$)	0.033
Exercise price (US\$)	0.16
Dividend yield	0%
Expected life, years	2.0
Annual risk-free interest rate	0.77%
Volatility	35%

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\$ 6,516.

(ii)(b)The fair value of US\$ 14,271 for the 2,146,000 Broker Warrants granted in 2018 was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

12p warrants

Fair value of 1 warrant (US cents)	0.67s
Share price at the date of grant (US\$)	0.033
Exercise price (US\$)	0.033
Dividend yield	0%
Expected life, years	2.0
Annual risk-free interest rate	0.77%
Volatility	35%

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\$ 18,415.

The warrants outstanding at the year end are:

Exercise price US\$	Number outstanding	Average remaining contractual life Years	Weighted average exercise price US\$
0.16	4,169,996	2.0	
0.16	60,000,000	2.0	
0.33	2,146,000	2.0	
	66,315,996	2.0	(0.156)

Share Options

In 2018 the Company granted 13,500,000 share options to directors and management exercisable at 2.5 pence for a period of 10 years from date of grant.

The fair value of the 2018 share options was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

2.5p share options

Fair value of 1 share option (US cents)	1.42
Share price at the date of grant (US\$)	0.033
Exercise price (US\$)	0.033
Dividend yield	0%
Expected life, years	10.0
Annual risk-free interest rate	0.77%
Volatility	35%

The amount of US\$ 189,956 calculated using the Black-Scholes model has been expensed.

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\$ 232,250.

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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\$954,371 (2017: US\$386,417). The Company and Group does not hold any collateral as security.

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 Company's expenditures 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 positively 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 Botswana Pula was not material ; the carrying amounts of monetary assets carried in GBP were as follows:

	Group and Company	
	31-Dec 2018 US\$	31-Dec 2017 US\$
Assets		
GBP	937,124	484,157
Liabilities		
GBP	62,239	133,615
Net exposure	<u>874,885</u>	<u>350,542</u>

A 10% increase / decrease in the USD:GBP exchange rate would result in a loss / profit of US\$ 87,489 (2017 - 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

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

borrowings have been secured to finance operations. The Company manages this risk by monitoring its financial resources and carefully planning its expenditure programmes.

17. Financial instruments (continued)

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 US\$	Cash flows US\$	Non cash movements			31 December US\$
			Foreign exchange gain US\$	Converted into shares US\$	Capitalised exploration costs US\$	
2017						
Amounts due to shareholders	763,343	43,921	(16,777)	(709,223)	79,127	160,391
2018						
Amounts due to shareholders	160,391	(49,273)	-	-	(111,118)	-

Company	1 January US\$	Cash flows US\$	31 December US\$
2017			
Amounts due to shareholders	-	23,143	23,143
2018			
Amounts due to shareholders	23,143	(23,143)	-

19. Commitments

The Group's license expenditure commitments are:

	Group	
	31-Dec 2018 US\$	31-Dec 2017 US\$
Within 12 months	1,278,000	874,000

At December 31, 2018 the Group had a contractual commitment of \$269,000 to complete an aerial survey

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. Related party transactions

Prior to the acquisition by Kavango Resources plc in December 2017, Navassa Resources Limited and its subsidiary Kavango Minerals (Pty) Ltd were financed as a private group by its four founders and managed by Charles M Moles and Hillary Gumbo. Since the acquisition and subsequent IPO the volume of related party transactions has been greatly reduced.

Related Party Transactions during 2018 and 2017 include:

- Rent, utilities and other administrative costs incurred by Kavango Minerals (Pty) Ltd paid to 3D Exploration Limited, a technical services company majority-owned by Hillary Gumbo, a Director of Kavango Minerals (Pty) Ltd;
- Directors Fees for all Group companies and fees paid to the Corporate Secretary.
- Technical and consulting services provided by 3D Exploration Limited to Kavango Minerals (Pty) Ltd ;
- Advance made to Group companies by Charles Michael Moles, a Director

The following table summarises related party transactions by year:

Group	Currency	2018 US\$	2017 US\$
Included in capitalised exploration costs:			
Costs billed by 3D Exploration (Hillary Gumbo)	USD	36,426	58,715
Directors fees billed by Hillary Gumbo	GBP	15,000	
Consulting fees billed by Hillary Gumbo	USD	-	168,377
		<u>55,626</u>	<u>227,092</u>

Balances with the related parties are:

	Group and Company 2018 US\$	Group 2017 US\$	Company 2017 US\$
Included in other payables:			
Other related parties	-	-	52,129
	-	-	<u>52,129</u>
Net amounts receivable from (due to) related parties:			
Charles Moles	-	(22,943)	-
Douglas Wright	-	-	-
Hillary Gumbo	-	(175)	-
3D Exploration	Note1	(98,375)	-
Michael Foster	-	(8,849)	(8,849)
John Forrest	-	(3,231)	(3,231)
	-	<u>(133,573)</u>	<u>(12,080)</u>

Note1: During 2018 \$36,426 was billed by 3D Exploration and capitalised in Intangible assets

KAVANGO RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. Related party transactions (continued)

Directors fees

Michael Foster was paid a Directors Fee of GBP 16,665 in 2018 (2017-Nil), Hillary Gumbo was paid a fee of GBP 15,000 (2017-USD 168,377) for acting as General Manager and Director of Kavango Minerals (Pty) Ltd and John Forrest was paid a fee of GBP 15,000 (2017-Nil) as Corporate Secretary. Douglas Wright was paid an advisory fee of GBP 40,000 (2017-Nil) for the 12 months beginning 1 August 2018

21. Events after the reporting date

In February 2019 the Group signed a contract with a local drilling contractor for an expenditure commitment of Botswana Pula 1,644,000 (approximately USD 150,000)