Company registration number: 10796849 (England and Wales)

KAVANGO RESOURCES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

COMPANY INFORMATION

Directors
Douglas Wright, Non-Executive Chairman
Michael Foster, Chief Executive
Michael Moles, Non-Executive

Company Secretary
John Forrest

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London EC2M 5PS

Registered Number
10796849 (England and Wales)

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Auditor
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Solicitors
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Salisbury House
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Principal Bankers
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London EC2M 5BA

Website
www.kavangoresources.com

KEY HIGHLIGHTS

- Total assets – US$2.9M (2018: US$3.4M)
- Loss – US$1.57M (2018: US$0.761M) including a provision for impairment of US$1,000,000 (2018: US$Nil)
- 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 maintains its accounting records and raises funds in Pounds Sterling (GBP).
- In February/March 2019 the Company completed a placement of 26,785,713 ordinary shares at 2.8p/share (US$ 0.037) to raise £750,000 (before expenses) (US$993,750).

  In April 2020 the Company announced a financing in the amount of GBP 468,487 comprised of 27,250,000 shares placed at 0.8p for gross proceeds of GBP 218,000 and an aggregate of Convertible Loan Notes with a nominal value of GBP 250,487 convertible into 31,310,875 shares at 0.8p. Further details are provided in Note 19 to the accounts.
- Over 4,000 line-kms of airborne electromagnetic (AEM) surveys were completed over the Company's northern KSZ prospecting licences in SW Botswana in March 2019.
- Approximately 1,100m of drilling over three priority targets identified by the AEM survey and followed up with ground geophysics was successfully concluded with indications of sulphide mineralisation and elevated nickel values in gabbro sills. Further drilling in 2020 is planned.
- In April 2020, an independent report by Dr David Holwell (BSc MSc MCSM PhD), a leading authority on the development of Copper-Nickel-PGE sulphide deposits associated with magmatic systems confirms the Company's assessment of the KSZ's significant economic potential.

CHAIRMAN'S STATEMENT

It gives me great pleasure as Chairman of Kavango Resources plc, an exploration group targeting the discovery of world-class mineral deposits in Botswana, to report our latest set of final results and discuss our plans for the future.

First, let me begin with the COVID-19 pandemic, which has clearly presented many challenges including volatile financial markets. Kavango has taken swift pre-emptive action to ensure the safety of all staff and senior management. All of the Company's directors, senior management and staff are working from home. The Company initiated a business continuity plan well ahead of the UK Government's initial advice on home working.

Travel has been restricted in Botswana and the United Kingdom. Botswana has dealt admirably with COVID-19 and is already easing partial travel restrictions in the country. While this currently limits our ability to conduct exploration work in the field, we had already planned extensive desktop research. This will involve further analysis and compilation of data gathered during 2019 (from drilling and surveying) together with additional data we have sourced from third parties.

Our primary goal in the coming months is to deepen our understanding of the Kalahari Suture Zone (the "KSZ") Project and identify future drill targets.

Although it is of course hard to predict just how long the current difficult conditions will last, we are still able to move the Company forward meaningfully. We have always managed Kavango prudently and will continue to significantly reduce costs wherever possible. This will ensure that current funds last longer and will give the Company more time to conclude various ongoing commercial negotiations, which include potential JV agreements.

The Directors are closely monitoring commercial and technical aspects of the Group's operations in-country to mitigate the impact from the COVID-19 pandemic. The inability to gauge the length of such disruption adds uncertainty to planning, but with careful cost management and continued desktop research and other work from home the directors believe Kavango will be better positioned for field exploration once travel restrictions are lifted.

Kavango has three areas of operation (all in Botswana); the KSZ Project, Ditau Project (which is nearing finalization of a Joint Venture) and in the Kalahari Copper Belt (the "KCB Project").

The results of the recent drilling programme on the KSZ have provided valuable geological information to deepen our understanding of the potential of this project to host large copper-nickel mineral deposits. The exploration effort is currently directed towards confirming the existence of the conditions necessary for the formation of metal sulphide orebodies during the emplacement of gabbroic intrusives associated with a major volcanic episode during the late Karoo geological era (180 million years ago). The drilling programme confirmed the gabbro sills contain "primary" sulphides, which suggests that the molten magma was in a condition of "sulphur saturation" at the time of magma crystallization.

Drill core logging confirms that these relatively thin gabbroic bodies are associated with extensive heat alteration halos (several metres) into the host rocks, which suggests that molten magma was flowing through these "conduits" over prolonged periods. This would allow for the accumulation of (heavy) metal sulphides in physical traps during magma flow.

There is now a large body of evidence suggesting that the accumulation of nickel and copper bearing metal sulphides occurred within the high level gabbroic intrusions of the KSZ. The computerized 3-D modelling constructed from the geological information obtained from the drilling, together with the data from geophysical and soil geochemical surveys will provide Kavango with much valuable information concerning the location and genesis of the intrusives, the mechanisms of magma transport and the chemistry of the magma itself.

We announced on the 29th April a summary of the very positive conclusions produced by Dr David Holwell in his independent mineral systems review of the KSZ. Dr Holwell (BSc MSc MCSM PhD) is a leading authority on the development of copper-nickel-platinum group metal sulphide deposits associated with magmatic systems. The review confirms Kavango's assessment of the KSZ's potential for hosting significant economic mineral deposits. His review is available on the Company's website.

On 15 April 2020 the Company announced that Power Metal Resources plc (POW) had agreed to purchase 51% of the Ditau Project for GBP 150,000 to be satisfied by the issuance of 35.7M shares of POW. The transaction is subject to due diligence to be completed within 30 days of removal of travel restrictions to Botswana.

The Ditau Project comprises two licences (1,386km^2) on which at least 10 “Ring Structures” are located. Ring structures are commonly associated with the presence of (volcanic) carbonatites, which are the primary source of Rare Earth Elements (REEs) – in high demand in the manufacturing of electric motors and batteries for EVs and other high-tech applications. The presence of carbonatites is supported by the discovery in drilling by Kavango of “fenite”, an alteration product associated with carbonatite volcanism. It was recently discovered that three carbonatites were found by Falconbridge Explorations in the 1970s less than 25km from the Kavango licences in ground now held by De Beers (for diamonds). These carbonatites are described as being post-Karoo, lying just beneath the Kalahari cover and close to surface. One of them contained high values of niobium. De Beers has given Kavango permission to identify the location of these carbonatites and collect data for use on the exploration of the Ditau targets.

In January 2020, the Company signed a Joint Venture Agreement ("JVA") with the Botswana registered company LVR GeoExplorers (Pty) Ltd ("LVR") in respect of two Prospecting Licences (PLs) situated in the Botswana section of the Kalahari Copper Belt (KCB). The JVA allows Kavango to acquire up to a 90% interest in the licences by way of a staged earn-in.

PL 082/2018 lies 30km north of MOD Resources' T3 mine development and is completely surrounded by MOD/Metal Tiger/Sandfire PLs including their T5, T6, T9, T10, T14 and T15 targets. The PL lies astride the main Ghanzi - Maun tarred highway. PL 083/2018 is close to the Namibian border south of the Trans-Kalahari Highway and adjacent to a block of PL's held by Kopore Metals Limited.

We believe the signing of the JVA with LVR represent excellent value for shareholders. Kavango will continue to review investment opportunities in Botswana and southern Africa.

During 2019 the Group incurred a loss of US$ 1.57M, US$ 0.94 cents per shares (2018: loss of US$ 0.76M, US$ 0.54 per share). The current year loss includes an impairment of US$ 1.0M relating to prospecting licenses that in the ordinary course of business the Directors have elected to relinquish. These PLs are located in the south of the KSZ, which the Company has determined is no longer an area of strategic focus based on results to date.

Due to the ongoing impact of the COVID-19 pandemic the AGM will take place online. Details of how attendees may join the AGM and the date of the meeting will be sent out in due course.

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 everyone at the Company who over recent months have worked tirelessly on progressing the Company against our stated objectives with special mention going to both Hillary Gumbo and Eddie Chiteka plus all the team in Botswana.

DJ Wright
Chairman

22 May 2020

CHIEF EXECUTIVE OFFICER'S REPORT

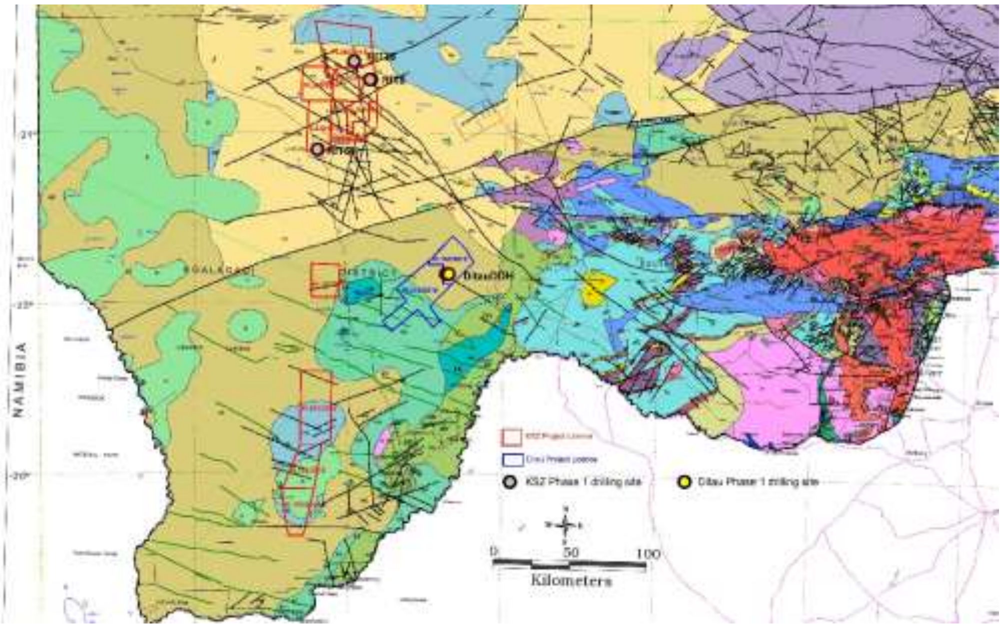
The Company is exploring three projects in Botswana: the Kalahari Suture Zone Project for Copper-Nickel-Platinum Group Metal ("PGM") deposits; the Kalahari Copperbelt Project for Copper-Silver deposits; and the Ditau Project for Cu and rare earths.

The impact of COVID-19 has been addressed in the Chairman's statement.

Kalahari Suture Zone Project (KSZ)

The Company is exploring the potential of mafic intrusives (gabbro) 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 in SW Botswana. Kavango holds 10 Prospecting Licences (PLs) along the KSZ, covering an area of 5,573km^2.

The map below shows the location of the Company's PLs in south west Botswana.



The intrusives of interest are of Karoo age (c.180 million years ago) and almost certainly represent the feeders to the basalt lava flows, which at one time covered most of southern Africa. These gabbros are of a similar age, genesis and composition as the gabbros hosting the giant Norilsk Copper-Nickel-Platinum Group Metal deposits in Siberia.

Some of the gabbros are close to surface and even outcrop. Others are buried under Kalahari sand and Karoo sediments. The Canadian Aid Agency, CIDA, drilled 7 holes along the KSZ in the early 1980's and the cores of some of these holes were re-logged and sampled by Kavango. One of the most important observations from the re-logging was the recognition that most of the "high level" gabbroic sills had intruded into sulphur rich coal measures and shales of the Karoo sediments. This would have increased the volume of sulphur in the magma allowing for the development of metal sulphides. The results of "whole rock geochemistry" taken from samples of the cores, together with thin sections were examined by Dr Martin Prendergast, consulting to the Company, who specialises in magmatic Cu/Ni/PGE deposits in southern Africa.

Dr Prendergast's observations suggested that metals such as Cu, Ni and PGEs were stripped out of the magma at some stage before crystallisation of the intrusive magma was completed. The implication is that these metals may have combined with the available sulphur to form metal sulphides and then deposited in trap zones within the intrusive bodies as massive sulphide ore bodies.

During late 2018 and early 2019, the Company carried out two airborne electro-magnetic (AEM) surveys covering over 4,000 line-kms, in the northern half of the KSZ licence area.

By using the latest generation of low frequency helicopter-borne EM surveying, conductors lying up to 500m below the Kalahari/Karoo cover were identified and these were followed up on the ground with high sensitivity soil sampling and a ground based geophysical technique known as 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.

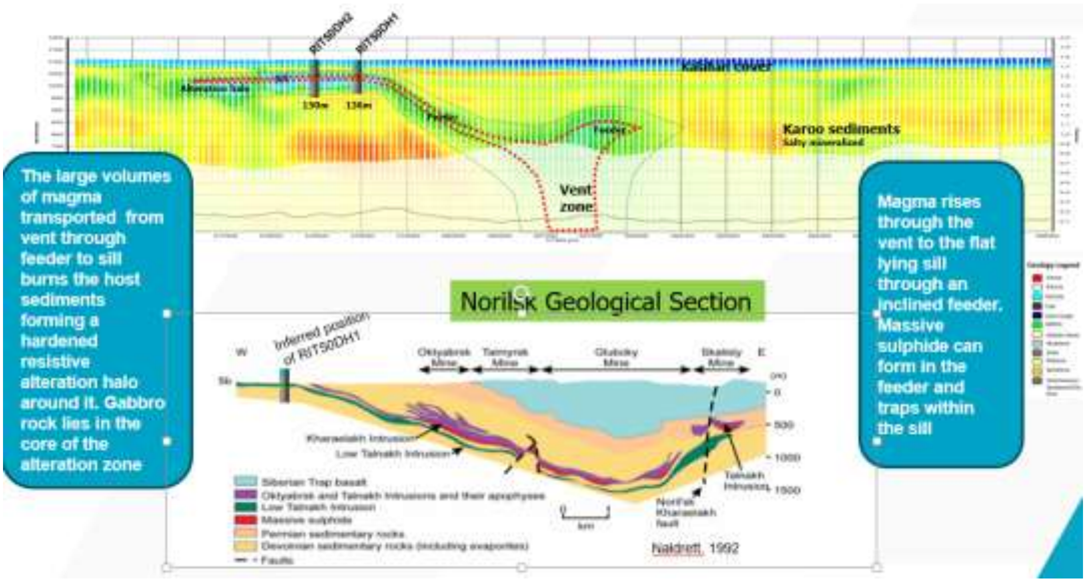
In October-November 2019, three coincident conductor/magnetic/soil anomalies were selected for drilling and 1,100m of combined R/C and core drilling was carried out, with two holes on each anomaly.

KSZ Drill results:

The drilling confirmed a number of important pre-requisites for the formation of magmatic metal sulphide deposits.

- Firstly, the gabbro sills (average thickness 16m) contain primary sulphides (sulphides generated at the time of initial crystallisation). This suggests that free sulphur was present in the melt (which was possible contamination from the coal measures). If sulphur is available, the metals prefer to crystallise out with the sulphur rather than the silicates.
- Secondly, the drilling confirmed that there exists beneath the surface a complex network of dykes and sills, which would have conveyed the magma to the surface. Often referred to as a "plumbing system".
- Thirdly, a "heat alteration halo" of 8 to 10m either side of the sills suggests that these magma conduits were transporting very large volumes of magma over a considerable time period. Metal sulphides are heavy relative to the rest of the magma (silicates) and it is the accumulation of these metal sulphides in "traps" that result in the formation of massive sulphide deposits.

The diagram below shows in X-section the location of the two holes drilled by the Company on anomaly RIT50 that intersected a gabbro sill (top section), with anomalous nickel values, and the hole transposed onto a Norilsk geology X-section (bottom section).



We believe the results from our 2019 drilling in the KSZ have brought us closer to confirming a *"Norilsk Style plumbing system"*, through which significant quantities of metal sulphides were transported.

Our goal now is to identify underground traps in the plumbing system where Copper-Nickel-PGM deposits might have accumulated.

Ditau Project

The Ditau Project comprises two PLs that cover an area of 1,386km^2. Geophysical and geochemical analyses by Kavango in the two PLs have identified 10 “ring structures” (including at least one possible kimberlite).

One of the ring structures is a 7km x 5km magnetic and gravity anomaly, with significant zinc-in-soils anomalies. Assay and whole rock geochemistry results from two drill holes carried out at on this ring structure last year demonstrated the presence of an extensive zone of altered Karoo sediments sitting above a mafic intrusive body. The alteration extended to over 300m in depth in both holes, which were 1.8km apart. The geochemistry obtained from the drill core suggested that the alteration was due to “fenitization”, a type of extensive alteration associated with alkali magmatism and carbonatites.

In the 1970s, Falconbridge Exploration Inc. discovered three carbonatites about 30km north of Ditau, one of which contained high grades of niobium.

Carbonatites are the principal source of rare earth elements (REEs) including the much sought-after elements Neodymium (Nd) and Praseodymium (Pr), which are used in the manufacture of the new generation of electric vehicles (EVs), magnets and other high-tech applications.

Kalahari Copper Belt (KCB)

One of the most exciting developments in the mining industry in Botswana is the continuing success of exploration companies in the discovery of new deposits of copper and silver along what has become known as the Kalahari Copperbelt (KCB). In 2019 the directors of Kavango decided to seek prospective exploration ground on the KCB. To this end the Company signed a Joint Venture Agreement in January of this year with a local company for the right to earn a 90% interest in two highly prospective licences, one of which lies 30km north of Sandfire’s (formerly MOD Resources) T3 open pit, which is currently being developed. A further two licences have been applied for by Kavango that lie just south of the town of Ghanzi.

Key Recent Developments

As discussed in the Chairman’s Statement above and where appropriate in Note 19 to the accounts, which follow:

- On 15 April we announced a conditional sale of 51% of Ditau to Power Metals Resources plc (POW) for GBP 150,000 in exchange for 35.7M shares of POW. The transaction is conditional on due diligence.
- As noted in the Highlights section and in Note 19 to the accounts the Company has recently announced a financing of GBP 468,487.
- As announced on 29 April Dr David Holwell, an internationally recognised expert on magmatic sulphide deposits, delivered a very positive report on the KSZ. His conclusions are summarised in the Chairman’s Statement.

Subject to COVID-19 restrictions, proposed Work Programmes for 2020 are:

KSZ:

Computer generated geological and geophysical modelling will continue to map out the sills and dykes comprising the magma plumbing system. Trap sites such as changes of direction or depressions in the floor of the intrusive bodies will be identified and surveyed with ground based high powered, low frequency EM surveys. Down-hole EM surveys are also planned. Meanwhile a MSc student from Leicester University (UK) will begin a study, which will assist with geochemistry, thin section work and interpretation. A second drilling campaign is currently planned for later in the year.

Ditau:

A Ditau work programme will be confirmed once the JV with Power Metals is concluded. This is subject to due diligence, which is due to close within 30 days of the lifting of Covid-19 travel restrictions to Botswana, or the 30 September whichever is the earlier.

KCB:

Initial desk-top research and compilation will continue. Field work will commence on the two JV licences. in Q2 or Q3. This will comprise both regional and detailed soil geochemistry. CSAMT surveying will be carried out over soil anomalies to define the stratigraphy, structures and mineralisation. Drilling will commence once targets have been identified. Further acquisition of prospective ground will be considered.

Michael JE Foster
Chief Executive

22 May 2020

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Douglas Wright *(Non-Executive Chairman)*

Douglas studied Business studies at NESCOT and has more than 35 years' 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.

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 founder of Casa Mining in DRC and formerly Chairman of Copperbelt Minerals Ltd, a company that discovered a 5mt contained copper deposit in DRC and sold for $197m in 2012.

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 corporate and exploration strategy.

Hillary Gumbo *(MD of Kavango Minerals (Pty) Ltd and Exploration Manager)*

Hillary is a Zimbabwe citizen with Botswana residence status. He graduated from the University of Zimbabwe (UZ) with a BSc in Geology and Physics (Honours) in 1984 and two years later 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 until 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, 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 is responsible for exploration.

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 has worked on several initial public offerings. For over 30 years he has worked in a senior financial role with companies operating in Asia and 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 2019. 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

No dividends are planned. (2018: US$ Nil).

Directors

The Directors of the Company during the year ended 31 December 2019 were:

Douglas Wright
Michael Foster
Mike Moles

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

* Includes 1,000,000 ordinary shares held by Teresa Giovetty-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 2019, the total number of issued ordinary shares with voting rights in the Company was 160,955,709. Details of the Company's capital structure and voting rights are set out in note 14 to the financial statements.

On 30 April 2020, the number of issued ordinary shares in the Company with voting rights was 188,205,709. The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 30 April 2020.

Party Name	Number of Ordinary Shares	% of Share Capital
Peter Anderton	14,486,796	7.70%
Jose Medeiros	13,492,500	7.17%
Michael Moles	15,092,492	8.02%
Hillary Gumbo	11,092,500	5.89%
Douglas Wright **	10,740,001	5.71%
John Forrest	7,644,998	4.06%
Michael Foster *	7,365,001	3.91%
JIM Nominees	33,216,948	16.07%
Share Nominees	27,031,240	14.36%

* Includes 1,000,000 shares in the name of his wife, Teresa Foster
** Includes 1,340,000 ordinary shares held by Lesley Wright, Douglas Wright's wife.

Financial risk management

Note 16 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 16 of the financial statements.

Green House Gas emissions

Given the nature of its activities which include aerial geophysics with a helicopter and the operation of drill rigs, the Group is conscious of greenhouse gas emissions. The Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made.

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 within 12 months to meets its planned exploration expenses over the next 12 months from the date these Financial Statements.

In the current business climate, the Directors acknowledge the COVID-19 pandemic has necessitated organisational changes to underpin the Group's resilience to COVID-19, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. COVID-19 may impact the Group in varying ways leading to potential impairments of assets held which could have a direct bearing on the Group's ability to generate sufficient cash flows for working capital purposes. The Directors are closely monitoring commercial and technical aspects of the Group's operations to mitigate the impact from the COVID-19 pandemic. The inability to gauge the length of such disruption further adds to this uncertainty

The Group has financial resources which the Directors consider are insufficient to fund the Group's committed expenditures and thus acknowledge that additional funding will be required. The amount of required Group funding will be raised either by way of an issue of equity or through the issuance of debt. The Directors are reasonably confident that funds will be forthcoming. 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 as it has done in the past and thus anticipate that adequate resources will be available to continue in operational existence for the foreseeable future. We note the uncertainties arising as a result of COVID-19 in respect of its impact on the global economy however we also draw attention to the fact that we have successfully raised funds post year end as disclosed in Note 19 despite the current environment, as have a number of similar sized exploration groups. 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.

Auditor

The Board first 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 11, 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;
- 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

Post Balance Sheet Events are disclosed in note 19.

This responsibility statement was approved by the Board of Directors on 22 May 2020 and is signed on its behalf by;

Michael JE Foster
Director
22 May 2020

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 2019 the Remuneration Committee met once to review fees of Directors, senior management, and 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

Given the current size and stage of development of the Group, there is no formal policy yet in place in respect of remuneration. This is reviewed regularly by the Remuneration Committee and will be implemented when considered necessary. For this reason, neither the remuneration report nor remuneration policy have been subject to approval at a general meeting.

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. The same principles are applied when agreeing the components of a remuneration package for the appointment of new Directors. No Director takes part in any decision directly affecting their own remuneration.

Directors' remuneration

The Directors who held office at 31 December 2019 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 12.

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.

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 (US$ 52,216) 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 (US$ 52,216) 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 2019 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 2019:

Name of Director	Short terms employment benefits		Other long term benefits		Total	
	2019 USD	2018 USD	**2019 USD**	2018 USD	**2019 USD**	2018 USD
Douglas Wright	52,216	21,494	-	-	52,216	21,494
Mike Moles	-	-	-	-	-	-
Non-Executive total	**52,216**	**21,494**	**-**	**-**	**52,216**	**21,494**
Michael Foster	52,216	21,494			52,216	
Executive total	**52,216**	**21,494**	**-**	**-**	**52,216**	**21,494**
Total	**104,432**	**42,988**	**-**	**-**	**104,632**	**42,988**

As at 31 December 2019 GBP 20,000 was owed to Directors comprised of GBP 16,667 to the Chairman and GBP 3,333 to the CEO.

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 2019 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 2019	As at the date of this report	Number of ordinary shares held 31 December 2018	Number of share options held 31 December 2019	Number of share options vested but unexercised 31 December 2019
Douglas Wright **	10,740,001	10,740,001	10,740,001	3,180,000	3,180,000
Mike Moles	15,092,492	15,092,492	15,092,492	3,180,000	3,180,000
Michael Foster *	7,365,001	7,365,001	7,365,001	3,180,000	3,180,000

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

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		Number of Share Warrants	
	2019	2018	2019	2018
Douglas Wright	3,180,000	2,400,000	2,495,000	2,495,000
Mike Moles	3,180,000	2,400,000	-	-
Michael Foster	3,180,000	2,400,000	580,000	580,000

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 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 22 May 2020.

Douglas Wright
Chairman of the Remuneration Committee

STRATEGIC REPORT

The Directors present their strategic report on the group for the year ended 31 December 2019.

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

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.

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 7-10.

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

On 28 April 2020, a placement of 27,250,000 ordinary shares was completed at 0.8p per share to raise £218,000 before expenses.

Through Kavango Minerals (Pty) Ltd, the Group is pursuing mineral 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.

COVID -19 – as referenced in Chairman's Statement

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 9,000km^2, 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. In this regards the Group has diversified its exploration portfolio in Botswana by entering into joint ventures to earn interests in prospecting licences in the Kalahari Copperbelt (KCB).

Exploration risk

The KSZ, KCB and Ditau Projects may not result in exploration success.

Whilst the Directors endeavour to apply what they consider to be the latest technology to assess 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 potential of the Groups initial projects, KSZ and Ditau, may not contain economically recoverable volumes of minerals, base metals, or precious metals of sufficient quality or quantity. To mitigate this risk, the Group has acquired the rights to carry out exploration and earn an interest in certain licences in the KCB area.

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. 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 conditions in financial and commodity markets. 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 negotiations Brexit in 2020 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 during the transition period to 31 December 2020, 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.

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 16, 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 / maintaining / renewing Licences / approvals

Commercial:

- Failure to maximise value from KSZ/KCB/Ditau
- 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 List 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.

Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.
The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company operates as a minerals exploration business which is inherently speculative in nature and, without regular income, is dependent upon fund-raising for its continued operation. The pre-revenue nature of the business is important to the understanding of the Company by its members, employees and suppliers, and the Directors are as transparent about the cash position and funding requirements as is allowed under FCA regulations.
The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2019:

- **Remunerate the Directors with share options in lieu of cash:** having decided on a plan to raise new funds to finance operations, the Directors also decided that to maximise funds available for exploration the Directors would be remunerated in part by share options instead of cash as well as deferring payment of scheduled fees. This has the added benefit of more fully aligning the interests of the Directors with those of the members.
- **Expanding our position in Botswana:** having established our presence in Botswana and developed a good working relationship the Department of Mines, the decision to apply for new licences on the Kalahari Copper Belt(KCB) and enter into a strategic joint venture with an existing license holder on the KCB was driven by the Board's view that the long-term future of mineral exploration in Botswana is very positive.

- **Ethical responsibility to the community and the environment:** the Board takes seriously its ethical responsibilities to the communities and environment in which it works. We abide by the local and relevant UK laws on anti-corruption & bribery. Wherever possible, local communities are engaged in the geological operations & support functions required for field operations, providing much needed employment and wider economic benefits to the local communities. In addition, we follow international best practise on environmental aspects of our work. Our goal is to meet or exceed standards, in order to ensure we obtain and maintain our social licence to operate from the communities with which we interact.

On behalf of the Board:

Michael JE Foster
Director
22 May 2020

CORPORATE GOVERNANCE

This report forms part of the Strategic Report.

The Directors of the Company are listed on Page 11. Mr Moles is also a Director of both subsidiaries, Navassa Resources Limited and Kavango Minerals (Pty) Ltd. Hillary Gumbo is Managing Director of Kavango Minerals (Pty) Ltd and a Director of Navassa. All Directors and employees within the Group are male. There is no formal diversity policy in place due to the current size of the Group, however the Directors remain committed to diversity among our staff and leadership team and this is revisited each year.

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 List 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 11.

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 the exploration for base metals 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 which can be explored and advanced through feasibility sudies to mine development decisions. 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, interviews and through our regular reporting on the London Stock Exchange. Roadshows are typically timed to follow the release of interim and final results. The Company 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 Directors attend 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 Skype 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 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 and Mike Moles 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.

The Board aims to meet quarterly but speaks on skype on a regular basis, generally every Tuesday. 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 2019:

	Meetings attended	Meetings held
Douglas Wright	4	4
Michael Foster	4	4
Mike Moles	4	4
John Forrest (CoSec)	4	4

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 in Africa. 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.

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.

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 2019 the Board met four times, but communicated as a management group on numerous occasions. The Board receives 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

The Company has a small Board of 3 directors. Directors and certain Company officers meet every Tuesday for a minimum 60 minutes. During these meetings all aspects of the operations and all corporate matters are discussed. Formal Board meetings generally are reserved for times when Board resolutions are required. These frequent informal meetings of Directors reduce the need for committee meetings.

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. There is no formal policy in respect of auditor rotation but this is considered on an annual basis by the Audit Committee. The current auditors have held office for a total uninterrupted period of 3 years and were appointed on 20 March 2018.

The Audit Committee met twice during the year. To date, audit committee matters have been discussed in full Board meetings. As such no formal audit committee reports have been required.

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 met once during the year.

Additional information supplied by the remuneration committee has been disseminated within the Directors' Remuneration Report on page 16.

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.

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 our investor relations advisors and from the CEO, CFO and Company Brokers who interact directly with shareholders. In addition , analyst notes and reports are reviewed for a wider understanding of investor views. The Company also communicates with larger mining companies and with institutional investors whenever an opportunity presents itself.

INDEPENDENT AUDITOR'S 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 2019 which comprise the Consolidated Statement of 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 2019 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 will require additional funding within the 12 months from the date at which the financial statements are authorised for issue in order to finance planned exploration expenditure including committed spend requirements on exploration licenses. The ability of the group to develop its projects is therefore dependent on successfully raising funds on the open market. The total comprehensive loss for the group during 2019 was $1,573k. The group will require further funding within a period of 12 months from the date of approval of the 2019 financial statements in order to avoid a cash deficit, which is not yet committed. In addition, the potential impact of COVID-19, whilst not yet fully understood, will likely have an impact on the operations of the business and the ability to raise additional equity funds.

As stated in Note 2 the events or conditions along with other matters set forth in that Note and in the Annual Report in relation to COVID-19, 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 2019	Group materiality 2018	Basis for materiality
$74,000	*$60,000*	*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.

Whilst materiality for the financial statements as a whole was set at $74,000, component materiality was set between $70,000-$71,000 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 $3,700 (2018: $3,000). 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 (identified as a key audit matter), the carrying value and recoverability of investments in subsidiaries at parent company level (identified as a key audit matter), the valuation of share-based payments, 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 significant operating components which, for the year ended 31 December 2019, were located in the United Kingdom and Botswana, with the group's accounting functions being based in the UK and Botswana.

The Botswana component was audited by PKF network firm operating under our instruction. This audit was performed both for consolidation purposes as well as local statutory purposes. There was regular interaction with the component auditor 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 significant component of the group, being that it is a holding company for the Botswanan component in which the exploration assets are held. Our work was limited to obtaining a certificate of good standing and performing analytical procedures at group level.

The approach detailed above 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
Carrying value and appropriate capitalisation of Intangible assets ***GROUP***	
The group has reported intangible assets of $2,445k in its Consolidated Statement of Financial Position as at 31 December 2019 which comprise exploration and evaluation assets in Botswana. There is a risk that these assets have been incorrectly capitalised in accordance with IFRS 6 and that their carrying value should be impaired. As shown in Note 9 to the financial statements, the directors have concluded that an impairment charge of $1m is appropriate.	Our work in this area included: ▪ Confirmation that the group has good title to the applicable exploration licenses; ▪ A review of 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 indicators within IFRS 6; ▪ Obtaining an understanding of the rationale for the impairment charge calculated by management through discussion and review of available support, and ensuring it has been correctly accounted for and disclosed; ▪ Obtaining the new Farm-In Agreement with LVR GeoExplorers (Pty) Ltd and understanding the key terms, and holding discussions with management surrounding status of the earn-in and future plans; and ▪ Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate and in line with our understanding of the group and its activities.

Carrying value of investments in subsidiaries ***COMPANY***	
Investments in subsidiaries, as shown in Note 10, is the only significant asset in the parent company's Statement of Financial Position. Given the continuing losses there is a risk that the investment in the subsidiary which holds the intangible assets may not be fully recoverable.	Our work in this area included: ▪ Confirming ownership of investments; ▪ We considered the recoverability of investments by reference to underlying net asset values; ▪ We reviewed the impairment assessment prepared by management in respect of intangible assets, and provided appropriate challenge to inputs and estimates included therein; ▪ Review of the impairment charge calculated by management in respect of the investment balance in conjunction with work done in respect of intangible assets (see above), and ensuring this has been correctly accounted for and disclosed; and ▪ Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate.

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
- 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 3 years, covering the periods ending 31 December 2017 to 31 December 2019.

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

15 Westferry Circus
Canary Wharf
London E14 4HD

22 May 2020

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Continuing operations			
Administrative expenses	**5**	(472,049)	(534,242)
Impairment	**9**	(1,000,000)	
Loss before taxation		(1,472,049)	(534,242)
Taxation	**7**	-	-
Loss for the year attributable to owners of the parent		**(1,472,049)**	**(534,242)**
Other comprehensive income: **Items that may be subsequently reclassified to profit or loss**			
Currency translation difference		(101,430)	(221,065)
Total comprehensive loss for the year attributable to owners of the parent		**(1,573,479)**	**(755,307)**
Earnings per share from continuing operations attributable to owners of the parent			
Basic and diluted (US cents)	**8**	**(0.94)**	**(0.54)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 31 DECEMBER 2019

	Notes	31 Dec 2019 US$	31 Dec 2018 US$
Non-current assets			
Property, plant and equipment	**9A**	58,172	22,751
Intangible assets	**9**	2,445,317	2,287,993
Total non-current assets		2,503,489	2,310,744
Current assets			
Trade and other receivables	**11**	225,091	114,825
Cash and cash equivalents	**12**	124,294	954,372
Total current assets		349,385	1,069,197
Total assets		**2,852,874**	**3,379,941**
Current liabilities			
Trade and other payables	**13**	139,144	70,782
Total liabilities		**139,144**	**70,782**
Net current assets/(liabilities)		**210,241**	**998,415**
Net assets		**2,713,730**	**3,309,159**
Equity attributable to owners of the parent			
Called up share capital	**14**	206,562	171,025
Share premium	**14**	5,867,875	4,981,362
Share option reserve	**15**	245,956	189,956
Foreign Currency Exchange Reserve		(132,973)	(31,543)
Reorganisation reserve		(1,590,777)	(1,590,777)
Retained earnings		(1,882,913)	(410,864)
Total equity attributable to owners of the parent		**2,713,730**	**3,309,159**

This report was approved by the board and authorised for issue on 22 May 2020 and signed on its behalf by:

……………………
Michael Foster
Director

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

Company registration number: 10796849 (England and Wales)

	Notes	31 Dec 2019 US$	31 Dec 2018 US$
Non-current assets			
Investment in subsidiaries	10	4,253,547	3,991,473
Total non-current assets		4,253,547	3,991,473
Current assets			
Trade and other receivables	11	196,865	105,333
Cash and cash equivalents	12	96,644	937,124
Total current assets		293,509	1,042,457
Total assets		**4,547,056**	**5,033,930**
Trade and other payables	13	101,121	62,967
Total liabilities		101,121	62,967
Net current assets		**192,388**	**979,490**
Net assets		**4,445,935**	**4,970,963**
Equity			
Called up share capital	14	206,562	171,025
Share premium	14	5,867,875	4,981,362
Share option reserve	15	245,956	189,956
Foreign exchange reserve		150,660	187,789
Retained earnings		(2,025,118)	(559,169)
Total equity		**4,445,935**	**4,970,963**

Kavango Resources Plc has used the exemption grated under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to Kavango Resources Plc for the period ended 31 December 2019 was US$1,503,078 (2018: US$337,839).

This report was approved by the board and authorised for issue on 22 May 2020 and signed on its behalf by:

……………………
Michael Foster
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share Premium	Reorganisation Reserve	Foreign Exchange Reserve (restated)	Retained Earnings	Share Options	Total
	US$	US$	US$	US$	US$	US$	US$
As at 1 January 2018	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)	-	-	(221,065)
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
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
Loss for the year	-	-	-	-	(1,472,049)	-	(1,472,049)
Other Comprehensive Income(loss) for the year - foreign currency exchange difference	-	-	-	(101,430)	-	-	(101,430)
Total comprehensive income for the year				(101,430)	(1,472,049)	-	(1,573,479)
Shares issued net of costs of $72,915	35,537	886,513	-	-	-	-	922,050
Share options granted						56,000	56,000
Total transactions with owners recognised directly in equity	35,537	886,513	-	-	-	56,000	978,050
As at 31 December 2019	206,562	5,867,875	(1,590,777)	(132,973)	(1,882,913)	245,956	2,713,730

The accompanying notes form part of these financial statements.

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

KAVANGO RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share Premium	Foreign Exchange Reserve (restated)	Share Options	Retained Earnings	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 January 2018	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	187,789	189,956	(559,169)	4,970,963
Loss for the year	-	-	-	-	(1,465,949)	(1,465,949)
Foreign currency exchange difference	-	-	(37,129)	-	-	(37,129)
Total comprehensive loss for the year	-	-	(37,129)	-	(1,465,949)	(1,503,078)
Issue of shares net of costs of $72,915	35,537	886,513	-	-	-	922,050
Share options granted	-	-	-	56,000	-	56,000
Total transactions with owners recognised directly in equity	35,537	886,513	-	56,000	-	978,050
Balance at 31 December 2019	206,562	5,867,875	150,660	245,956	(2,025,118)	4,445,935

The accompanying notes form part of these financial statements.

Share Capital:	Amount subscribed for share capital at nominal value
Share Premium:	Amount subscribed for share capital in excess of nominal value
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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Cash flows from operating activities			
(Loss) Profit before taxation		(1,472,049)	(534,242)
Share option expense		56,000	189,965
Impairment		1,000,000	-
Foreign exchange differences		(80,774)	6,543
Net cash flows generated from operating activities before changes in working capital		(496,823)	(337,734)
(Increase) decrease in trade and other receivables		(110,266)	27,431
Increase(decrease) in current liabilities		68,362	(75,459)
Net cash outflow from operating activities		**(538,727)**	**(385,762)**
Investing activities			
Purchase of intangible assets, net	**9**	(1,157,325)	(272,581)
Purchase of fixed assets	**9A**	(56,021)	(21,270)
Net cash used in investing activities		**(1,213,346)**	**(293,851)**
Financing activities			
Loans		-	(43,921)
Proceeds from issue of shares net of issue costs	**14**	922,050	1,291,434
Net cash generated from financing activities		**922,050**	**1,247,513**
Net (decrease)/increase in cash and cash equivalents		**(830,023)**	**567,900**
Cash and cash equivalents at beginning of year		954,317	386,417
Forex translation difference		-	-
Cash and cash equivalents at end of year	**12**	**124,294**	**954,317**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$	2018 US$
Cash flows from operating activities			
Loss before taxation		(1,465,949)	(525,628)
Share option expense		56,000	189,956
Impairment		1,000,000	-
Foreign exchange differences		(37,129)	19,754
Net cash flows generated from operating activities before changes in working capital		(447,078)	(315,918)
(Increase) decrease in trade and other receivables		(91,522)	198,206
Increase(decrease) in trade and other payables		38,154	(70,635)
Net cash outflow from operating activities		**(500,459)**	**(188,347)**
Investing activities			
Investment in subsidiaries	**10**	(1,262,074)	(491,473)
Net cash used in investing activities		**(1,262,074)**	**(491,473)**
Financing activities			
Loans		-	(23,143)
Proceeds from issue of shares net of issue costs	**14**	922,050	1,291,434
Net cash generated from financing activities		**922,050**	**1,268,291**
Net (decrease)/increase in cash and cash equivalents		**(840,480)**	**588,471**
Cash and cash equivalents at beginning of year		937,124	348,653
Forex translation difference		-	-
Cash and cash equivalents at end of year	**12**	**96,644**	**937,124**

The accompanying notes form part of these financial statements.

1. Corporate information

Kavango Resources PLC ("the Company") was incorporated on 21 May 2017. It is domiciled in the United Kingdom at Salisbury House, London Wall, Suite 425, London UK EC2M 5PS.

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 US 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

The following new standards, amendments and interpretations are effective for the first time in these financial statements. However, none have a material impact on the financial statements and no adjustments have been required as a result of their adoption:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- 2015-2017 Cycle Annual improvements to IFRS Standards.

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 3 (Amendments)	Business Combinations	01 January 2020*
IAS 1 and IAS 8 (Amendments)	Definition of Material	01 January 2020
IAS 1 (Amendments)	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01 January 2022*

**Subject to EU endorsement*

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant Accounting policies (continued)

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 within 12 months to meets its planned exploration expenses over the next 12 months from the date these Financial Statements are approved.

In the current business climate, the Directors acknowledge the COVID-19 pandemic has necessitated organisational changes to underpin the Group's resilience to COVID-19, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. COVID-19 may impact the Group in varying ways leading to potential impairments of assets held which could have a direct bearing on the Group's ability to generate sufficient cash flows for working capital purposes. The Directors are closely monitoring commercial and technical aspects of the Group's operations to mitigate the impact from the COVID-19 pandemic. The inability to gauge the length of such disruption further adds to this uncertainty

The Group has financial resources which the Directors consider are insufficient to fund the Group's committed expenditures and thus acknowledge that additional funding will be required. The amount of required Group funding will be raised either by way of an issue of equity or through the issuance of debt. The Directors are reasonably confident that funds will be forthcoming. 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 as it has done in the past and thus anticipate that adequate resources will be available to continue in operational existence for the foreseeable future. We note the uncertainties arising as a result of COVID-19 in respect of its impact on the global economy however we also draw attention to the fact that we have successfully raised funds post year end as disclosed in Note 19 despite the current environment, as have a number of similar sized exploration groups. 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.

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.

2. Significant Accounting policies (continued)

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.

Depreciation

Depreciation commences once the asset is brought into use. Depreciation is charged to the Intangible assets on a straight-line basis over the estimated useful lives of the asset. The estimated useful lives have been assessed as follows:

▪ Plant and equipment	6-7 years
▪ Motor vehicles	4 years
▪ Computer equipment	4 years
▪ Furniture and fittings	10 years

The residual value, if not insignificant, useful life, and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

2. Significant Accounting policies (continued)

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.

The Group's and Company's financial assets are all held at amortised cost, being trade and other receivables, and cash and cash equivalents.

Subsequent measurement

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.

2. Significant Accounting policies (continued)

Financial assets (continued)

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.

For 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 payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and are held at amortised cost.

Subsequent measurement

After initial recognition, 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.
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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

2. Significant Accounting policies (continued)

Financial risk management (continued)

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 2019 the Group had borrowings of nil (2018: 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.

Subsequent to year end the Company issued GBP 250,487 of Convertible Loan Notes which are repayable on 28 February 2021 but convertible at the election of the Company if the Company has filed a prospectus on or before the repayment date (Note 19).

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 2019 of $2.45M (2018: $2.29M). 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.

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 concluded that an impairment charge of US$1.0M is reasonable.

b) Recoverability of loan due from Kavango Minerals (Pty) Ltd and investment in Navassa Resources Limited

The Directors have concluded that there has been an impairment to the carrying value of intangible assets relating to projects in Botswana held by Kavango Minerals (Pty) Ltd (KML). As stated in Note 10, the Company holds its investment in the Botswana projects indirectly via its investment in Navassa Resources Limited (Navassa), the intermediate parent company of KML, while it has loan accounts with both KML and Navassa. Accordingly, in the Company financial statements an impairment to the Company's investment in Navassa Resources Limited has been recognised. No impairment has been recognised against the receivable balances from KML and Navassa, which have a carrying value at 31 December 2019 of £1,753,547. The recoverability of these receivables is dependent on the success of the underlying project in Botswana, which the Directors have assessed to have a recoverable amount of £2,445,317. Therefore, the recoverable amount of the projects in Botswana exceeds the carrying value of the receivables. The Directors consider that the receivables due will be recovered in full through future realisation of the projects, whether through joint venture partnership, divestment or successful production, however, this is not guaranteed and therefore the recoverability of the receivable in the Company financial statements is considered to be a critical accounting estimate.

c) 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.

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 2019 US$	31-Dec 2018 US$
Continuing operations		
Exploration Impairment (Botswana)	(1,000,000)	-
Corporate (London and Mauritius)	(472,049)	(534,242)
Loss before tax	(1,472,049)	(534,242)
Income tax	-	-
Loss after tax	(1,472,049)	(534,242)

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 2019 US$	31-Dec 2018 US$	31-Dec 2019 US$	31-Dec 2018 US$
Intangible assets and equipment (Botswana)	2,503,489	2,310,744	-	-
Corporate (London and Mauritius)	-	-	-	-
Total of all segments	2,503,489	2,310,744	-	-

	Total Assets		Total Liabilities	
	31-Dec 2019 US$	31-Dec 2018 US$	31-Dec 2019 US$	31-Dec 2018 US$
Exploration (Botswana)	2,539,389	2,313,179	33,897	1,119
Corporate (London and Mauritius)	313,485	1,066,761	105,247	69,663
Total of all segments	2,852,874	3,379,940	139,144	70,782

5. Expenses by nature

	Group	
	31 December 2019 US$	31 December 2018 US$
Directors' fees	104,433	42,988
Stock exchange related costs (including public relations)	86,627	42,567
Auditor remuneration	50,533	42,563
Investor Relations	24,174	51,858
Travel & subsistence	18,152	23,016
Professional & consultancy fees including Legal	86,575	36,649
Insurance	9,617	9,029
Corporate advisory and Broker Fee	34,473	69,219
Share Option expense	56,000	189,956
Office and Other expenses	1,465	26,397
Total administrative expenses	**472,049**	**534,242**

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 2019 USD	31 December 2018 USD
Fees payable to the Company's auditor and its associates for the audit of the Company and Group Financial Statements	**50,533**	**42,563**

6. Employees

Employment costs consist of:

Group	**2019 US$**	**2018 US$**
Wages and salaries	134,917	59,679
	134,917	59,679

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

Company

Directors during the year were USD$ 104,433 which is included in Directors Fees in Note 5 and the Company Secretary was paid USD 45,720 which is included in Professional fees in Note 5.

Further details are provided in Directors Remuneration Report on Page 16.

The average monthly number of employees during the period was:

Group	2019	2018
Directors	3	3
Employees	5	5
	8	8

Company	2019	2018
Directors	3	3
Employees	1	1
	4	4

7. Taxation

	2019 US$	2018 US$
Current taxation	-	-
Deferred taxation	-	-
	-	-
Loss before tax	(1,472,049)	(534,242)
Tax at the applicable rate of 19% (2018: 19%)	(279,689)	(101,506)
Effect of different tax rates in other jurisdictions	(28,841)	1,706
Expenditure not deductible	209,000	-
Tax losses carried forward	99,510	99,800
Current tax	-	-

The weighted average applicable tax rate of 20.9% (2018: 19.8%) 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$2,637,716 (2018: US$2,165,667) of tax losses available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over future taxable profits against which the lowers may be used.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Earnings per share

	31-Dec 2019	31-Dec 2018
Earnings per Share (basic) – cents	(0.94)	(0.54)

Loss for the year from continuing operations (used in calculation of basic EPS from continuing operations) (US$)	(1,472,049)	(534,242)
Weighted average number of Ordinary shares in issue	156,650,425	99,169,996

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 15.

9. Intangible assets

Group	**31-Dec**	**31-Dec**
Evaluation and Exploration Assets – Cost and net book value	**2019 US$**	**2018 US$**
At period start (1 January)	**2,287,293**	**2,359,425**
Additions, net	1,175,541	272,581
Impairment	(1,000,000)	-
Translation difference	(17,517)	(344,013)
At period end (31 December)	**2,445,317**	**2,287,993**

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 concluded that an impairment charge of US$1.0M is reasonable. This charge relates to costs attributable to 4 licenses which in the ordinary course of business were dropped as the Directors did not consider them prospective for further investment.

9A. Exploration Field Equipment

Group Exploration Field Equipment	31-Dec 2019 US$	31-Dec 2018 US$
Net Book Value at period start (1 January)	**22,751**	**1,610**
Additions	56,021	28,338
Depreciation	(20,710)	(7,068)
Translation difference	110	(129)
Net Book Value at period end (31 December)	**58,172**	**22,751**

The Group's Exploration Field Equipment includes all fixed assets in Botswana, including vehicles used in field activities by geology staff. Depreciation of $20,710 (2018: $7,068) was capitalised in Intangible assets.

10. Investment in subsidiaries

Company	2019 US$	2018 US$
Shares in Group undertakings at 1 January	**3,500,000**	**3,500,000**
Additions	-	-
Impairment	(1,000,000)	-
At 31 December	**2,500,000**	**3,500,000**
Loans to subsidiaries	1,753,547	491,473
Total	**4,253,547**	**3,991,473**

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

Loans to subsidiaries are interest free and payable on demand.

Following their assessment, the Directors concluded that an impairment charge of US$1.0M is reasonable. This charge corresponds to the impairment charge relating to costs attributable to 4 licenses which in the ordinary course of business were dropped as the Directors did not consider them prospective for further investment.

Principal subsidiaries

Name & registered office address	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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Trade and other receivables

	Group		Company	
	31-Dec 2019 US$	31-Dec 2018 US$	31-Dec 2019 US$	31-Dec 2018 US$
Other receivables and prepayments	225,091	114,825	196,865	105,333
	225,091	114,825	196,865	105,333

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.

12. Cash and cash equivalents

	Group		Company	
	31-Dec 2019 US$	31-Dec 2018 US$	31-Dec 2019 US$	31-Dec 2018 US$
Cash and cash equivalents	124,294	954,371	96,644	937,124
	124,294	954,371	96,644	937,124

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

13. Trade and other payables

	Group		Company	
	31-Dec 2019 US$	31-Dec 2018 US$	31-Dec 2019 US$	31-Dec 2018 US$
Other payables	139,144	70,782	101,121	62,967
	139,144	70,782	101,121	62,967

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Share capital

	Number of shares	Share capital	Share premium	Total
		US$	US$	US$
Authorised	**Nil**	**Nil**	**Nil**	**Nil**
Issued and Fully Paid				
As at 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 (Gain)	-	(7,758)	(240,252)	(248,010)
As at 31 December 2018	134,169,996	171,025	4,981,362	5,152,387
Issue of shares at US$0.0371	26,785,713	35,491	958,259	993,750
Issue costs	-	-	(72.915)	(72,915)
Foreign Exchange Loss	-	46	1,169	1,215
As at 31 December 2019	160,955,709	206,562	5,867,875	6,074,437

On 7 December 2017 the Company acquired Navassa Resources Ltd (Navassa) 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.

Although the Company was incorporated in 2017 the Group is considered to have existed prior to 2017 because the shareholders who controlled Navassa prior to its acquisition controlled the Company after the Navassa acquisition. Therefore, for 2016 the share capital figures presented are those of Navassa 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.

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.

On 25 February 2019 17,857,142 shares were allotted and issued at a price of GBP 0.028(US$ 0.0371) per Ordinary Share.

On 5 March 2019 8,928,571 shares were allotted and issued at a price of GBP 0.028(US$ 0.0371) per Ordinary Share.

15. Share based payments

Warrants

(i) As part of 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). Subscriber warrants have not been fair valued in accordance with IFRS 2.

(ii) As part of 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).

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 fair value of these warrants has not been recognised in the financial statements as their fair value is not material. The inputs in the model are as follows:

	2.5p warrants
Fair value of 1 warrant (US cents)	0.67
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.

(iii) 26,785,713 Warrants were issued to subscribers to the February 25/March 5 2019 placement along with 1,428,571 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 2.8p (US$0.037). Subscriber warrants have not been fair valued in accordance with IFRS 2.

The fair value of US$32,786 for the 1,428,571 Broker Warrants granted in 2019 was calculated using the Black-Scholes pricing model. The fair value of these warrants has not been recognised in the financial statements as their fair value is not material. The inputs in the model are as follows:

	2.8p warrants
Fair value of 1 warrant (US$)	0.03
Share price at the date of grant (US$)	0.037
Exercise price (US$)	0.037
Dividend yield	0%
Expected life, years	1.25
Annual risk-free interest rate	0.77%
Volatility	35%

NOTES TO THE FINANCIAL STATEMENTS (continued)
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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$ 143.

Subscriber and broker warrants outstanding at the year end are:

Exercise price US$ (pence)	Grant Date	Number outstanding	Average remaining contractual life Years	Weighted average exercise price US$
0.16 (12p)	31 January 2018	4,169,996	0.58	
0.16 (12p)	31 July 2018	60,000,000	0.58	
0.033 (2.5p)	31 July 2018	2,146,000	0.58	
0.16 (12p)	31 March 2019	26,785,713	0.58	
0.037 (2.8p)	31 March 2019	1,428,571	0.58	
		94,530,280	**0.58**	**0.155**

Share Options

In 2018 the Company granted 13,400,000 share options to directors and management exerciseable at 2.5 pence for a period of 10 years from date of grant. Of these options, 1,400,000 had not been allocated as at 31 December 2018 and these were allocated in 2019.

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 was expensed in 2018.

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 options would increase by US$ 232,250.

In 2019 the Company granted 2,500,000 share options to directors and management exerciseable at 2.8 pence for a period of 10 years from date of grant.

The fair value of the 2019 share options was calculated using the Black-Scholes pricing model. The inputs in the model are as follows:

	2.8p share options
Fair value of 1 share option (US cents)	2.24
Share price at the date of grant (US$)	0.041
Exercise price (US$)	0.037
Dividend yield	0%
Expected life, years	10.0
Annual risk-free interest rate	0.55%
Volatility	100%

The amount of US$ 56,000 calculated using the Black-Scholes model has been expensed during the year.

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 options would increase by US$ 4,066.

Share options outstanding at the year end are:

Exercise price GBP (pence)	Grant Date	Number outstanding	Average remaining contractual life Years	Weighted average exercise price GBP (pence)
2.8p (US$0.037)	6 November 2018	13,400,000	8.83	
2.5p (US$0.033)	5 May 2019	2,500,000	9.33	
		15,900,000	**8.91**	**2.75p (US$0.036)**

As at 31 December 2019, there are an additional 100,000 options which have been approved but not yet allocated and these are under the same terms as the 5 May 2019 issue.

16. 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$ 124,924 (2018: US$954,371). 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.

16. Financial instruments (continued)

The net carrying amount of monetary assets and liabilities denominated in Botswana Pula at 31 December 2019 was approximately BWP 56,000 which is not considered material to the Group. The carrying amounts of monetary assets carried in GBP were as follows:

	Group and Company	
	31-Dec 2019 US$	**31-Dec 2018 US$**
Assets (GBP)		
Cash and cash equivalents	95,644	936,123
Trade and other receivables	6,634	-
	102,278	936,123
Liabilities (GBP)		
Trade and other payables	(99,644)	(62,239)
Net exposure	2,634	873,884

A 10% increase / decrease in the USD:GBP exchange rate would result in a loss / profit of US$ 263 (2018 - US$ 87,388).

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. The Company manages this risk by monitoring its financial resources and carefully planning its expenditure programmes. The Group is dependent upon equity fundraisings to manage its liquidity risk.

Capital

The Group considers its capital to comprise its ordinary share capital and retained deficit. In managing its capital, the Directors 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 longer term operational and strategic objectives.

17. Commitments

The Group’s license expenditure commitments are:

	Group	
	31-Dec 2019 US$	**31-Dec 2018 US$**
Within 12 months	1,123,000	1,278,000
More than 1 year less than 5 years	1,254,000	-
>5 years	-	-
Total	**2,377,000**	**1,278,000**

At December 31, 2019 the Group had no contractual commitments with either geophysics or drilling companies.

18. Related party transactions

Related Party Transactions during 2019 and 2018 include:

- Rent, utilities and other administrative costs incurred by Kavango Minerals (Pty) Ltd and 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.

The following table summarises related party transactions by year:

Group	**Currency**	**2019 US$**	**2018 US$**
Included in Intangible assets:			
Costs billed by 3D Exploration (Hillary Gumbo)	USD/BWP	213,772	36,426
Director's fees billed by Hillary Gumbo	GBP	35,205	19,500
		248,977	55,926

Net amounts due to related parties:

	2019 US$	**2018 US$**
Douglas Wright	(22,112)	-
Michael Foster	(4,422)	(11,280)
John Forrest	(3,980)	(4,119)
Hillary Gumbo	(23,882)	-
3D Exploration	(1,584)	-
	(55,980)	(15,398)

Intragroup Loans:

	2019 US$	**2018 US$**
Kavango Resources plc to Kavango Minerals (Pty) Ltd	1,587,016	320,290
Kavango Resources plc to Navassa Resources Ltd	166,531	171,183
Navassa Resources Ltd to Kavango Minerals (Pty) Ltd	1,973,517	1,966,917

18. Related party transactions (continued)

Directors fees

The following fees were paid or accrued in 2019:

Douglas Wright a Directors Fee of GBP 40,000 (5 Months 2018: GBP 16,666); Michael Foster a Directors Fee of GBP 40,000 (5 Months 2018: GBP 16,666); Hillary Gumbo GBP 36,000 (5 Months 2018: GBP15,000) for acting as General Manager and Director of Kavango Minerals (Pty) Ltd and Director of Navassa Resources Ltd; John Forrest GBP 36,000 (5 Months 2018: GBP15,000) as Corporate Secretary paid to his personal services company, Logwood Financial Services Limited.

19. Events after the reporting date

On February 17, 2020 the Company announced a Joint Venture Agreement (JVA) to acquire an interest in the Kalahari Copper Belt. The JVA is between 100%-owned subsidiary Kavango Minerals Pty Limited and LVR GeoExplorers (Pty) Ltd (LVR) to earn up to a 90% interest in two licenses held by LVR. The expenditure commitment under the JVA is Botswana Pula 1.25M (approximately US$120,000) in the first 12 months to earn a 25% interest.

The outbreak of COVID 19 is a significant subsequent event in 2020 It has clearly presented many challenges including volatile financial markets. The company has taken swift pre-emptive action to ensure the safety of all directors, senior management and staff. This includes a full financial and strategic review designed to safeguard and ensure the stability and longevity of the Company's activities for the benefit for all its stakeholders. It is of course hard to predict just how long these extremely difficult conditions will last and therefore the Company considers it to be commercially prudent to continue to significantly reduce costs so that current funds last longer and more time is available to conclude various ongoing commercial negotiations which include potential JV agreements. All of the Company's directors, senior management and staff are working from home, the Company having initiated a business continuity plan well ahead of the UK Government's initial advice on home working. This is not having, nor is it expected to have, any negative effect on the Company's business. The Directors are closely monitoring commercial and technical aspects of the Group's operations in-country to mitigate the impact from the COVID-19 pandemic.

On 15 April 2020 the Company announced:

i. The placement of 27,250,000 ordinary shares at 0.8p each for gross proceeds of GBP 218,000 which include 27,250,000 warrants to subscribe for shares at 1.0p each within 3 years of Admission date for the placement shares (April 2020);
ii. The issue of a zero-coupon Convertible Loan Note in the nominal amount of GBP 38,000 repayable on 28 February 2021 and convertible at either the Company or Noteholder election into 4,750,000 ordinary shares. The Noteholder will also receive 4,750,000 warrants to subscribe for shares at 1.0p each within 3 years of Admission date for the placement shares (April 2020);
iii. The issue of 10% Convertible Loan Notes in the nominal amount of GBP 212,487 repayable on 28 February 2021 and convertible at either the Company or Noteholder election into 26,560,875 ordinary shares. The Noteholders will also receive 26,560,875 warrants to subscribe for shares at 1.0p each within 3 years of Admission date for the placement shares (April 2020);
iv. The 58,560,875 warrants in (i) (ii) and (iii)can only be exercised when there is headroom provided by a prospectus. In the event that the warrants have been exercised on or before 28 February 2021, a further 56,560,875 warrants would be issued exerciseable at 2.50p for a period of 3 years. If neither the Company nor the Noteholder elects to convert their Convertible Loan Note on or before 28

February 2021 then the amount of the Convertible Loan Note would be repayable by the Company on 31 March 2021. (Maximum GBP 250,487).

These transactions will increase the issued share capital to 188,205,709 shares.

In addition, the Company announced the sale of a 51% interest in the Ditau Project for GBP 150,000 subject to due diligence. The purchase price is to be satisfied with 35,714,286 shares of Power Metal Resources plc (POW).

Any expenditures by POW on Ditau in 2020 would result in a corresponding reduction to the commitments of the Company as disclosed in Note 17. The Ditau share of those commitments is $1.5M. Due to COVID 19 and the POW due diligence period the contribution of POW towards Ditau commitments in 2020 may not be significant.

20. Ultimate Controlling Party

There is not considered to be any ultimate controlling party.